FOREIGN AFFAIRS

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APRIL, 1925

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FOREIGN AFFAIRS

Vol. 3 APRIL, 1925 No. 3

STEPS TOWARD PRESERVING PEACE

By Elihu Root

IN DISCUSSING the relations with other nations which the United States should seek to establish and maintain, it will be very useful if the people of the country will give due weight to some general considerations applicable to all matters such as the World Court, the attitude of the country towards the activities of the League of Nations, the conferences like that about opium, the application of the Dawes Commission Plan, the promotion of disarmament, and so on.

One of these general considerations is that we ought not to let ourselves get into the frame of mind of men who are driving a bargain in which the interests of each are entirely separate and distinct from the interests of the other and in which each is seeking to get as much and give as little as he can. There must of course always be separate interests of different nations which their governments are bound to maintain, but there are also common interests in which all civilized nations share. These common interests arise from the interdependence of civilized peoples and they are a product of developing civilization. The farmers in America who are raising wheat and beef and cotton, and the great multitudes engaged in manufacture, depend for the rewards of their labor largely upon the orderly continuance of purchase, consumption and payment by the people of other countries. It would be a real misfortune to the American breakfast table if Brazil ceased to produce coffee and Cuba ceased to produce sugar and China ceased to produce tea. Trade is necessary to modern comfort and prosperity, and trade is maintained by a vast and complicated system of international transportation and finance. From all this intercommunication arises intercourse in literature and art and scientific research and the interchange of thought in the moral and spiritual life of the race. For the continuance of all these things, orderly government and

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sound finance and security for the fruits of industry and enterprise, not only in one's own country but in all civilized countries, are of vital importance. Every sensible statesman is bound, therefore, to make it one of his primary objects to contribute towards the peace and prosperity of the civilized world in which his own country shares. It frequently happens that this general consideration is much more important than the particular matters of controversy which arise between nations. For many years I have known a good deal about international arbitrations and I have never known of one in which both nations in controversy did not benefit more from having the question between them settled than either gained from a favorable judgment or lost by an unfavorable one.

Another consideration which should be kept in mind is that our people really do desire to contribute towards the preservation of peace and the progress of civilization throughout the world. We do not wish to be selfish and cynical and indifferent about the welfare of the rest of the world. We do not think we are and we do not wish to be thought so. We really have ideals about human progress and we wish to stand for them. We have long professed them and we do not wish anybody to put us in the position of appearing to be hypocrites and humbugs. If there be any project of international coöperation proposed which will really be for the benefit of civilization, we do not wish to have it treated as something that somebody else wants and is trying to get us into. If it is real, we want it to succeed just as much as anybody else can want it to succeed; and we wish to be counted in as supporting it unless there is some real obstacle in the way which cannot be removed. And by real obstacle we mean something substantial, not any fanciful or trivial difference of opinion about non-essential things. No two men ever devised plans of action to accomplish a particular object without finding that there were differences in their plans. That is peculiarly the case in international affairs. A real desire to accomplish the object will brush aside all the non-essential differences. That is the way in which we wish proposals for our coöperation in projects for the benefit of mankind to be treated.

Approaching questions of international relation in this spirit, we should remember that the real power behind international as well as national progress towards better conditions is public opinion—not sudden bursts of temper or sentimentality, but

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enlightened, matured public opinion. That is the power behind all human law and all custom. If a statute rightly reflects the opinion of the people for whom it is passed, or is adapted to give effect to that opinion, it gets itself enforced. If the contrary is true, the law fails of effect. No law however formal can withstand the effect of changes in opinion. Our Constitution vested in Presidential electors authority to select in their discretion any one they chose for President of the United States. In the course of a century, public opinion has determined that the voters themselves should say whom they wish for President, and as against the voters' expression of their will the Presidential electors no longer have any discretion, although the Constitution still declares that they have it. The King of England had a strict legal power to veto an act of Parliament, but the public opinion of Great Britain destroyed that power without any formal change of law. We slip very easily into the idea of compelling conformity to our ideas by the exercise of superior force. Compulsion is sometimes necessary for the maintenance of order and justice, but we should not forget that progress does not come through compulsion. Progress comes through the enlightenment of opinion, the development of character, the establishment of better standards of conduct.

Public opinion, however, cannot make itself affirmatively effective except by the creation of institutions adapted to give it effect. Mere verbal expressions of opinion get nowhere. A mob, however unanimous, can destroy but it cannot construct. What is everybody's business is nobody's business. To get things done some human agency must be designated to give effect to the general desire that they be done.

There is no reasonable doubt that the great majority of the people of most civilized nations are strongly opposed to involving themselves in war, and the question inevitably arises "How is it that nations composed of people who don't want war are continually fighting?" The answer is that the opinion against war has been without adequate institutions to give it effect. War is an international affair; and to prevent it there must be international opinion, and international action upon that opinion, and international institutions to give effect to that opinion.

The world of western civilization has been busy for a long time trying to create such institutions. The first effort was practically begun by the governments of Europe under the in-

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spiration of Grotius about 300 years ago, after the Thirty Years' War. It consisted of agreement upon a series of rules of conduct under the name of international law and national foreign offices and permanent ambassadors and ministers to insist upon having national conduct conform to those rules.

All that was very useful, but it proved inadequate. The next stage of development was by the practice of calling general conferences of many nations so that the opinion of all could be focused upon a particular controversy or cause of controversy at the same time and with vastly greater effect. Illustrations of such conferences are the Paris Conference of 1856, the Berlin Conference of 1878, the Algeciras Conference of 1905 and the Limitation of Arms Conference at Washington in 1921 and 1922.

These conferences were a very great advance, especially relating to all controversies arising out of national policy, but they were still inadequate. About thirty years ago many people who had been thinking about the subject came to the conclusion that as most controversies between nations arose out of differences regarding their supposed rights and in the suspicions and hatreds growing out of supposed wrongs, one of the most effective means to prevent war would be to afford a substitute for war as a method of settling differences about rights and wrongs. They recognized that nations always will have differences of opinion about their rights and always will quarrel, just as private persons have differences and quarrel over them. They realized that if an international tribunal could be established, composed of able and impartial judges, drawn from many different countries and with jurisdiction to decide questions of right arising under treaties and international law, many nations would settle their controversies in that way instead of going to war. A great many wars come on because neither party quite knows how to give up in a controversy without humiliation. Such a tribunal, it was thought, would certainly be very useful in such cases. It was considered also that if an international court were once established and commended itself to the people of the world by its conduct, there would after a time grow up a universal public opinion which would discredit any nation that refused to submit a question of right to the court and undertook instead to enforce its own opinion by war. People generally would not have to argue out the rights and wrongs of the controversy. Public opinion would properly turn in favor of the nation that was

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willing to submit its claims of right to adjudication and against the nation which was unwilling to do so.

In the First Hague Conference of 1899, in the Second Hague Conference of 1907, in the Commission of Jurists which met at the Hague in 1920 to propose a plan for such a court, and in hundreds of negotiations and arbitration treaties between different nations, this idea of furnishing a judicial substitute for war has been worked out in the most painstaking way. It was exceedingly difficult because there were so many nations differently situated which had to be brought into agreement about the mode of creating the court and its power and procedure in order that it should really be an international court. Substantially all the nations which have entered the League of Nations have agreed to the proposed court in a separate treaty concluded December 16, 1920. The court has been established by the election of fifteen judges of the highest character and attainment, coming from as many different countries, and they are already engaged in hearing and deciding cases. The United States has always been the foremost advocate of this idea of substituting judicial decision for war, and President Harding and President Coolidge successively have asked the consent of the Senate to giving the approval of the United States to the court. This request has been awaiting action by the Senate for the past two years.

This court is the latest institution wrought out by the civilized world's general public opinion against war, for the purpose of giving effect to that opinion. It is an essential and indispensable institution for the effectiveness of that opinion and the proposal that the United States take part in supporting the court should be welcomed as an opportunity by all the people who have been talking in favor of abolishing war and preventing war and outlawing war, but who have not as yet arrived at any practical steps tending in that direction.

All these international questions call for an understanding of the infinite varities of human interests, conditions, opinions, traditions, prejudices, beliefs, inherited modes of thought and feeling, all of which make agreements difficult. The question what kind of an institution for international benefit should be attempted is not a thing to be reasoned out from an American point of view, or from a French point of view, or from a Japanese point of view. It is to be solved by ascertaining what beliefs and

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opinions all the different nations hold in common and basing the new institution upon those beliefs and opinions, not including in the make-up of the new institution anything because Americans alone think it better, or French alone think it better, or Japanese alone think it better. These common beliefs and opinions are few and simple, and new international institutions must accordingly be very simple in their origin if they are to continue. Thousands of elaborate schemes for the prevention of war have been produced in the United States within the last few years; most of them have been quite worthless because the authors completely overlooked the differences of opinion and modes of thought and feeling in other countries, differences which would prevent acceptance of the proposed scheme, and if it were accepted would prevent its operation. The process of finding what it is worth while to try to do internationally is a good deal like the old problem of finding the greatest common denominator which used to be so tedious when we were children. The question presented by a proposal of an international institution is not whether it is the best institution conceivable. It is whether the proposed institution would be useful so far as it goes and whether there is any practical probability of getting fifty odd nations to agree to a better institution.

The important thing is to get the right kind of an institution started, even though it be in the most rudimentary form. There is one unfailing characteristic of human nature which comes into play when an institution is once started. It is that after an institution is established and is conspicuous and universally known, it enters into the basis of thought of the people who have to do with the subjects to which it relates. People begin to think differently about such subjects. They begin to think that way, and if the institution is so conducted as to command confidence within its original limited scope, it grows naturally and inevitably because the fundamental idea being no longer a novelty and being accepted, enlargements and improvements of the idea are soon readily accepted.

We have now actually in progress an illustration of that general truth. When the Jurists' Commission at the Hague transmitted their plan for the court to the Secretary of the League of Nations, they also sent a recommendation that a general conference be called to consider the present condition of international law and the amendments and extensions which

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might be practicable. The Secretary sent this recommendation to the Council and the Council sent it to the Assembly and the Assembly rejected it. That was a little over four years ago. In the meantime the court has been created and is deciding questions of international law with a degree of authority which commands respect. International law since there has been a court to decide upon it and thereby make it difficult to escape, seems quite a different thing from what it was when two countries could dispute about it forever without any conclusion. It now seems quite well worth while to enlarge the scope of the court by defining and extending the rules of law which the court has to apply. Accordingly the League of Nations has invited a new committee, which includes our former Attorney-General, Mr. Wickersham, to advise them how they shall go about that revision and extension of international law which they did not think favorably of four years ago. In the meantime, also, since the court was established, the Pan-American Institute of International Law, which includes the United States and all the Central and South American countries, has actually undertaken the work recommended by the Hague Commission and has actually produced a new draft of a code of international law for consideration, and this is now in the hands of the American Secretary of State as Chairman of the Governing Board of the Pan-American Union.

It will be very useful for all of us to keep in mind another consideration. It is that we must not be discouraged if we cannot have everything as we want it immediately. We must be patient if we would act wisely. What we do today may bear fruit long after we are dead, for no good work is ever really lost. The important thing is to get the tendency right. We should think of all these subjects in terms not of brief individual life, but long continued national life. The business does not admit of sudden and spectacular achievements. General progress cannot be much faster than the progress of the most backward nations and the field of action is not the field of intellect, it is the field of character; and change or development of character is always slow work.

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ITALY AND FASCISM

By Count Carlo Sforza

THE World War was the cause of more disturbance and suffering to Italy than to almost any of the other belligerent countries. Less wealthy than they, she felt more acutely the restrictions imposed by wartime discipline. It was indeed clear that for Italy the struggle was going to be a more painful one than for the rest, because her armament was scantier, because the battlefields of the Carso were the most arduous in all Europe, and because her machinery of state was so much younger than that of France, of England, or of Austria. Yet in spite of all this, the Italian people went through the long years of the war with admirable discipline, arose again of themselves, unaided, after sudden reverses, and reaped in the end a well-deserved and glorious victory.

It was only natural, however, that Italy should have come out of the war more profoundly shaken in her foundations than the other victors. The sufferings had been so intense, the promises of a coming millennium had been so imprudently lavished upon the millions of soldiers, that it was not surprising that a wave of discontent and rancor rose among them. For reasons which I shall not here discuss, the tangible fruits of peace were not speedily forthcoming. Official confirmation of the Italian possession of the entire girdle of the Alps was not reached until November, 1920; and even that notable achievement did not suffice to reassure all anxious souls, for the question of Fiume, already acute, still remained in suspense.

Revolutionary propaganda profited by this opportunity to flaunt before the eyes of a dissatisfied and irritated people the example of Russia—a myth and an ideal. To the Italian ex-service men, mostly peasants, who had been led to expect that after the war each would be given a piece of land as his own, this meant not Communism but simply that the real workers, the men who actually fought the war, were now apparently the masters in Russia, and that the great estates of the idle proprietors had been divided among the descendants of those who, only three generations ago, were serfs.

The blind policy of building a wall around Russia did the rest. Men said to themselves, "Aha! Russia is being quarantined like

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a plague center." Therefore not a single story of Bolshevik horrors was any longer believed. The fascination of the unknown and the forbidden added to the illusion. May I be permitted to mention briefly, however, that in June, 1920, shortly after I had become Minister of Foreign Affairs in the Giolitti Cabinet and had stated in my first address to the Parliament that "Bolshevism must live and die of itself, without pressure from abroad," and after I had facilitated a mission of Italian Socialists to Russia, the attractiveness of the Russian myth diminished considerably. These Socialist delegates were honest people and they were believed by our workingmen when they reported that Russia was an inferno.

In September, 1920, the external manifestations of disaffection by the Italian proletariat reached their culmination. Using as a pretext the lockout resorted to by some leaders of industry as a result of an ordinary economic controversy, the workers proceeded to occupy the shops, in accordance with the Russian revolutionary formula. The movement lasted a few days and then died a natural death. It died from non-resistance. Premier Giolitti refused to leave his summer residence at Bardonnecchia in the Alps. From there he directed the work of the Government by means of a direct wire. At one time he received a deputation of industrial leaders, of whom one, more insistent than the others, asked the Premier to bombard the workers in the factories which they had occupied; to which Signor Giolitti said, with his courteously ironic smile, "Would you be willing for me to begin the bombardment with your own factory?" The captain of industry declined.

A few days later the occupation of factories began to peter out. The workmen tried in vain to invite in the engineers and managers. These declined the invitation. The workmen felt that they were helpless, the old Italian common sense did the rest, and liberty triumphed, without any noise, over violence.

Not long afterwards Signor Giolitti and I happened to be in the company of the much regretted Sir George Buchanan, who was then British Ambassador to Rome after having served in the same capacity at Petrograd during the war. Sir George, having seen the outburst of Bolshevism in Russia, scented traces of it more or less everywhere, whereas I tried to convince him that the solidity of our social order was such that I would not, in that respect, change places with Great Britain. The British

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Ambassador continued to express his apprehensions, and then Signor Giolitti, looking out of a window, said, "Do you see that olive tree, Sir George? You have never seen one in Russia, have you? Well, you will no more see Bolshevism in Italy than olive trees in Russia." It seems that Sir George repeated these words in London, and many months later they were proffered to me from the lips of Mr. Lloyd George, then Prime Minister of Great Britain, as an indisputable truth.

Now that four years have passed since those events I cannot see that any wiser way of dealing with them could possibly have been found. Signor Giolitti returned to Rome during the last days of the occupation of factories. I saw him at the Ministry of the Interior on the evening of his return and—I do not know if I should boast of it or own it as a mistake—I recalled to him the example of another post-war year, in Russia in 1905, when the streets of St. Petersburg were stained with the workers' blood, shed by furious Cossacks who had been launched against the strikers. It is my conviction that in those days the death-hour of the Romanovs was sealed.

It is true that in 1920 the Italian Socialist movement seemed at the summit of success. More than two thousand communes were in the hands of Socialists, supported by excited and ignorant mobs. In the Chamber of Deputies, their group counted 156 out of a total number of 508 representatives.

But the failure—and even more than the failure, the ridicule—incurred by the abortive occupation of factories undermined all faith in the extremist leaders. Their ranks and numbers remained, but confidence and enthusiasm were gone. This confidence would undoubtedly have persisted if the traditional "rivers of blood" had been shed. Finally, in January, 1921, at one of its periodical congresses, the Socialist Party divided into two groups, bitterly hostile to one another. That meant the end of all peril from that quarter.

This was what Signor Giolitti was waiting for, what he was counting upon. I remember his saying so several times in the autumn of 1920. And his certainty explains to a great extent his inactivity at the time of the invasion of factories. It was his conviction that however divided the Italian Socialists were, they would instantly reunite into a single block if violence were employed against them. As it was, by his temporizing policy he induced many of the moderate leaders to contend persistently

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and successfully, though in secret, against the illusions which had prompted the more violent and childish to seize the factories.

Besides, there were many signs of a change of spirit even before this.

In November, 1920, a member of the town council at Bologna belonging to the liberal minority was killed by revolver shots inside the City Hall. The murder excited just and unanimous indignation and brought about a new wave of reaction against policies of violence. The Socialist communes, many of which were being badly run through incompetent management, became more and more unpopular. In the beginning of this same month, a nation-wide ceremony proved that the country as a whole, from the Alps to Sicily, was recovering from post-war neurosis. This ceremony was held to dedicate the Italian people to all its war-time memories of glory and of sorrow. On November 4th, the banners of the regiments especially mentioned for valor in battle were brought to Rome for the King to attach medals to their staffs. Both in Rome and in the towns and cities whence these deputations had started, and whither they presently began to return bearing their decorated banners, the enthusiasm and reverence of the people shown to those symbols of heroism and suffering were overwhelming.

Four days later I was at Rapallo, as the Italian plenipotentiary, to conclude with the Jugoslav deputation an agreement for the peace of the Adriatic. The Jugoslav delegates were men sincerely desirous of peace; but they had gathered from the papers an impression that Italy's domestic situation was unsatisfactory. It seemed wise to disillusion them on this point. Consequently, on the day when the decorated banners of the Genoa regiments were returning to that great city, so full of intense industrial life, I was pleased to have those gentlemen accept my invitation to take an automobile ride about the town, in company with my wife. They came back amazed, but also awed. They had realized that Italian patriotism was a living thing, and that this fact was well known to the Italian Government.

Throughout 1921 the morale of the Italian masses, as well as their economic condition, improved steadily. In 1920 there had been 1,881 strikes in the country; in 1921 the number fell to 1,045, with 720,000 strikers—very nearly the same figure as in 1915, the year of Italy's entry into the war. In short, there was the same curve of progress as there was in France and England.

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It was at this time that one first began to hear vaguely of Fasci and Fascismo in Italy, and then to observe them sporadically in action. What were they, or what did they aim at being? How did they come into existence and how did they develop?

Fascism originated as a romantic movement which gradually drew in the most heterogeneous currents, ideal and political, of the last fifteen years, including Futurism, a literary school inaugurated by Signor Marinetti, and socialistic Syndicalism, as developed from the theory of the Frenchman Sorel, partially modified by its passage across the Alps.

Very few persons, if any, recall the Fascist program as dictated and preached by Signor Mussolini in 1919 and 1920. In view of the incredible contradictions between the fourteen paragraphs of that program and the actual doings of the Fascist Government, I think it fit to state that the quotations which follow are literal. I should not cite these paragraphs at all if it were merely a question of demonstrating into what contradictions Fascism has fallen, but it does seem to me necessary to do so in order to establish by means of a fundamental document the measure of the consistency of Fascist thought. The text of the program is as follows:

"1. A National Constituent Assembly, as the Italian section of the International Constituent Assembly of Peoples, to proceed to a radical transformation of the political and economic bases of community life.

"2. Proclamation of the Italian Republic. Decentralization of the executive power; autonomous administration of regions and communes by means of their own legislative organs. Sovereignty of the people, exercised through a universal, equal and direct franchise of citizens of both sexes, the people to reserve the initiative of referendum and veto.

"3. Abolition of the Senate. Abolition of the political police. Magistrates elected independently of the executive power.

"4. Abolition of all titles of nobility and knighthood.

"5. Abolition of obligatory conscription.

"6. Liberty of opinion and of conscience, of religion, of associations, of the press.

"7. An educational system of schools, general and professional, open to all.

"8. The maximum of attention to social hygiene.

"9. Dissolution of trading corporations. Suppression of every kind of speculation, of banks and of exchanges.

"10. Census and taxation of private wealth. Confiscation of unproductive revenues.

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"11. Prohibition of labor by children under sixteen years of age. Eight-hour day.

"12. Reorganization of production on a coöperative basis and direct sharing of all workers in the profits.

"13. Abolition of secret diplomacy.

"14. International police open to and inspired by the solidarity of peoples and their independence in a confederation of states."

It is easy to guess, but it is not so easy to explain logically, how Fascism, from a revolutionary and anti-bourgeois movement, came to be converted into a tool of reaction.

A brief survey of the recruits and of the man who recruited them will facilitate such an explanation.

The program and the banner of Signor Mussolini united around them a multitude of honest and generous youths, estranged from socialism by the coolness which that party had shown toward the war, which had been desired and fought by these same youths with enthusiasm. As to their aspirations for social progress, they felt that there were sufficient guaranties in the fourteen paragraphs above quoted, which appeared to have even more Messianic character than the promises they had heard before. These well intentioned but intellectually immature youths were joined by other heterogeneous elements—university students convinced that they were the intellectual aristocracy of the nation because they had adopted the esthetic theories of Signor Marinetti and the Nietzschean views of Signor D'Annunzio—demobilized army officers who felt attracted to a movement that harked back to the military routine to which they had become used—impoverished intellectuals, moved by a hope of bettering their material circumstances, irritated at seeing qualified manual workers earn more than they did themselves, and outraged by the new suspicious attitude of the socialist masses toward comrades of bourgeois extraction. Then there were the well-to-do intellectuals, pushed toward Fascism by their hostility to the working masses and by their disdain of the uncouth ways of the Socialists who, without adequate preparation, had taken possession of many municipalities and had been administering them in a manner even more ridiculous than dishonest. Last but not least, there were all those turbulent elements which every great war sets free and which saw in the new movement a chance to continue fighting, in accordance with their taste and mentality.

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All of this army, with such different motives and passions and united solely by an unusually emphatic appeal to patriotism, was guided by one man, Signor Mussolini, who in a short space of time had gathered in and formulated the most opposite sentiments. I do not intend to discuss him in this paper. Even without him, Fascism would have played its part. Many post-war periods in history have produced similar phenomena, among others the post-war Rome of the Caesars. Only in order to contribute to the understanding of the doctrinal oscillations of Fascism must one note here:

At the head of patriotic Fascism there stands the man who, only some scores of days previous to his sudden conversion to the idea of Italy's participation in the war on the side of France and England, in his controversy with the *Idea Nazionale*, then a conservative journal (today a Fascist organ), which favored Italian participation "in order to strengthen the prestige of the crown, of the army and of the State," answered in the *Avanti* on September 13, 1914; "It is precisely for this reason that we do not want war. We aim at things diametrically opposed, namely at the destruction of the dynasty's prestige and that of the army and the State."

And at the head of anti-socialist Fascism is the same man who, during the occupation of factories by the workers, wrote in his *Popolo d'Italia* on September 10, 1920, that "the workers must not surrender the factories without obtaining guaranties."

Yet in spite of such quick changes of opinion on the part of the Fascist chief, history will probably one day return the verdict that it was not due to premeditation on his part nor to the wishes of the majority of the first groups of his adherents that Fascism, starting as a revolutionary and syndicalist ferment, soon transformed itself into a perfect tool of conservative reaction.

One can begin by noting that the syndicalist disciples of Sorel and accentuators of his theory of violence—for every political theory transplanted to a foreign soil suffers from exaggeration—had first tried their hand at the official Italian socialism, perverting it and interfering with its progress. After which, they divided into two apparently divergent groups. The one, previous to the war, joined the Nationalists—a monarchist group in the spirit of De Maistre, conservative and ultra militarist; among them was Signor Forges, today one of the chief Fascist directors. The other, among them Signor Mussolini, continued their career

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as Socialist-Revolutionaries. In 1922 and 1923 Fascism reunited the two branches which had seemed so far apart, but were essentially so near to each other, having in common, as they did, the theory of violence. The nationalist right and the nebulously but fervently revolutionary left found each other once more in Fascism with its double face of conservatism and subversion.

The fusion of elements united solely by a faith in violence—the lack of a precise political and moral program—the fact that most of the enthusiastic rank and file of Fascism boasted of impersonating "dynamic action" and not doctrinally defined principles—all combined to create a situation in which the Fascist movement evolved quickly, and without the knowledge of the majority of its followers, into an instrument of reaction. It was the *haute bourgeoisie*, both landed and industrial, of Tuscany, Emilia and Lombardy which by secret means managed to get hold of the regional Fascist organizations. These, made up of people of quick temperament and rather slow intellect, liked the assistance and the allies thus offered them and failed to see that from masters they had become policemen, paid servants instead of revolutionists. As for the central organization, which, as we have seen, had no firm doctrine to follow and solely aimed at securing power, it noticed too late the impossibility of changing its course without losing its strength; and consequently the movement progressed in the direction determined by its periphery.

Here it might be objected that the great landed and industrial *bourgeoisie* cannot have been totally without intelligence, and if it is true that the Bolshevik danger had already been eliminated under the Cabinet of Giolitti, what then was the menace they wished to combat?

The truth is that the landed proprietors as a class are little qualified to pass judgment as to the real and the fictitious in certain social phenomena; on the other hand, they are naturally inclined to follow any conservative tendency, afraid as they are of a return of serious disorders of the character of the *jacqueries*. The great industrialists were not thinking of combatting Bolshevism, which they knew very well did not threaten them any longer; they were up in arms against the socialist, or socializing, spirit of reform which had been gradually developing in the first twenty years of this century, thanks to what has been a real,

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though tacit, coöperation between Signor Giolitti and the moderate socialists.

It is therefore impossible to get a true appreciation of Fascism as it is today, and especially of its rapid triumph, without first realizing what has been achieved in Italy in the last decades by a government policy which, with only a few interruptions, had constantly kept in view the necessity of friendly agreement with the proletariat.

I shall try to give here a brief sketch of that period and that policy, of its drawbacks and advantages, and of the necessities which imposed it.

From the year 1911 to the outbreak of the European War, social legislation and measures of stabilization have followed an upward path. During all this time Signor Giolitti was almost constantly at the head of the Government. The Socialists were and remained an opposition party, but all the constitutional ones voted equally for his measures. The policy followed was really imposed on Italy by supreme economic and demographic reasons, apart from all party considerations.

Italy is in truth a poor country with a population which does not all find employment in its native land—whence the phenomenon of emigration. She also possesses large numbers of intellectual proletarians who have got to eat even if they find no employment after graduation from school. It is, therefore, only too explicable that there has had to be a social policy leading to the creation of numerous officials, some of which may be noxious to the development of certain branches of national activity. For the same reason it was natural in a country with moderate capitalist enterprise that laws should be enacted favoring coöperation. Thus we came to have thousands upon thousands of coöperative enterprises in Italy, some of which, it is true, existed by the favor of the state, or actually were supported by it; many of them, however, served as an incentive to thrift, and gradually helped to convert savings into capital which, in its turn, enriched the community, albeit not without damage to the interests of individual industrial enterprises. This democratic legislation did in fact guarantee that the peasants and workers should not be reduced to starvation wages (a thing that occurred before 1900), which would ultimately spell physical degeneracy for the majority of the Italian race.

Apologists of individualism may be quick to condemn this

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mania for social reform on the ground that it stifles the beneficial sense of independence, etc., etc. As a matter of fact, however, anyone who knows Italy well, who knows how she came to be united in 1860 and from what wreckage that union had sprung, will never waste time in discussing whether the policy was good or bad, for it was unavoidable. Social reform was the most powerful factor in the rapidity of the progress which enabled Italy—*i.e.*, the whole of Italy and not merely her privileged northern regions—to keep pace with her most advanced neighbors.

It was demographic necessities which constrained Italy to this policy of reforms; and it was also geographic necessities, for with her naturally poor south she had to overcome in some way the economic inequality between her regions.

As a matter of fact, the period of social reform in Italy coincides with the period of the greatest economic progress. It was in those years that Italy had a normal balance, that the conversion of the funded debt took place, and that paper currency and gold currency stood at par.

I shall give a few figures which, better than any phrase, show how unfounded is the Fascist accusation that the democratic régime was economically harmful to Italy.

The budget of the state, in round numbers, had passed progressively from a balance in 1900 of 5 million lire (revenue 1,748 million, expenses 1,743 million lire) to 79 million lire in 1912 (revenue 2,775 million, expenses 2,696 million lire).

Imports and exports—the most reliable gauge of the improvement of the country's economic condition—showed, in round figures again, the following:

Imports, 1900	1,707	million lire
Exports, 1900	1,355	"
Imports, 1912	3,728	"
Exports, 1912	2,438	"

Look also at the figures of movement at the Italian ports, which in 1900 showed 60,000,000 tons, in 1913 showed 101,000,000 tons.

Is there better foundation for the boast of the Fascisti that by seizing the power on October 30, 1922, they saved Italy from the economic disaster threatened, according to them, by a Bolshevism which, as we have seen, was already dying out in 1920 and 1921?

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Look at agriculture in 1922, which none the less was a year of scarcity because of exceptional drought. Figures published by the Ministry of Agriculture in June, 1923, show that production in 1922 exceeded that of the pre-war years by forty billion.

If we turn to industry, we see that it was on the increase during 1921 and 1922. The movement of capital invested in limited liability companies furnishes irrefutable proof of this statement. Before the war it amounted to 150 million lire annually, equal to some 600 million of the present-day depreciated currency. The average for 1921 and 1922, the two years immediately preceding the Fascist triumph, was 3,119 million lire, which even when reduced to the pre-war level of the currency shows a marked increase.

With increased industrial development, unemployment had begun to subside. The Fascist Minister of Finance, Signor De Stefani, himself wrote that "it had reached its highest figure during the winter of 1921–1922," which means that in 1922, the last year before the advent of Fascism to power, unemployment must have decreased.

It will be a question for future economists to decide precisely how and by what stages the captains of industry, in spite of these eloquent figures, came to support and finance the Fascist reaction, perchance hoping that it would facilitate larger profits than could be immediately gained under the régime of reform; and how little by little, towards the end of 1923 and in 1924, after two years of Fascist government, they came to recognize that it was not over-safe for great enterprises to continue living in an atmosphere of artificial quiet created by arbitrary compression; that there was peril in ignoring further the real state of mind of the working masses who felt that they had no voice in the Fascist Corporations into which they had been forcibly pushed in 1923.

What is certain is that today, though many great land owners still favor Fascism—which is only natural because the agricultural classes are always the slowest to change—captains of industry have already expressed through their authoritative spokesmen the opinion that Fascist excesses in the way of political reaction and repression of the workers represent a grave danger for the industrial classes.

Certain sections of the upper classes abroad, identifying conservatism with mere material repression, are given to praising

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Signor Mussolini in a way which clearly implies an appreciation scarcely flattering to our people. Indeed, to say that without a certain person and a certain party Italy was bound to succumb to the horrors of Bolshevism is equivalent to asserting that forty million Europeans were saved by a miracle, that is to say they did not deserve to be saved, for no people is really saved except through itself. On the other hand, to bring out the elements of moral sanity which have been and still are at work in the deepest strata of the Italian people, and are as spontaneous and permanent as their family virtues; to bring out that this people saved and will save itself by its own efforts, however slowly, without the aid of fetiches and miracles; to bring out that the mighty and vast sea wave is one thing and the noisy and brilliant crest of foam which attracts the eyes is another—this would be paying a deserved tribute to the Italian people. And the less it is based on eloquence, and the more on plain facts, the more effective it will be.

Abandoned by the industrial aristocracy, abandoned by the ex-soldiers who have once more been impregnated with the ancient democratic spirit of the nation, and by the generals who had led the Italian armies to victory and who on becoming members of the Senate have voted there against the Government, Fascism finds itself supported solely by the landed proprietors and by its own militia, which constitutes the only army of a party known to modern Europe.

This is not the place to indulge in political prophecies about the immediate future. But I shall permit myself to observe, in the same impartial spirit as has prevailed throughout this paper, that the longevity of the Fascist régime can well be measured by the stability and consistency of the norm which has become its central idea: that is, the negation of classes and of class struggles, even the negation of political parties, because every human being and every spiritual force in the country must be entirely subservient to the nation-state, which in its turn is interpreted exclusively by Fascism. And so we see, in present-day Europe, an attempt by means of these empty phrases to return to a conception such as may have prevailed thousands of years ago in lands governed by sacerdotal castes.

In all modern countries the different parties and classes and their contests have ever clearer functions. The most important phases of social progress have been due to the free play of the

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forces of parties and classes. This was perfectly well expressed, four centuries ago, by Machiavelli, whom for these last two years Signor Mussolini has affected to regard as his master in political science, when in realty he has understood extremely little of that deep and unflinching thinker.

"I say," Machiavelli wrote in his "Decades" (1.4), "that those who condemn the struggle between the patricians and the plebeians blame the things which were the first cause of the freedom of Rome; that they pay more attention to the noise and shouting which came from these struggles than to their beneficial results; that they fail to appreciate how it happens that there are two dispositions in every state—that of the aristocracy and that of the people; and how all laws enacted in favor of liberty are the product of this discord. . . ."

If such was the life of Rome two thousand years ago, if our most eminent political thinker was of this opinion four hundred years ago, how is it possible to believe that a great European people of forty million will in the end consent to delegate passively all their authority to a single party to exercise for them and over them a paternal guardianship?

The things that are going on in Italy are a mere paragraph in her history—not even an essential episode in it. The record of it will survive as a reminder of the excessive sufferings heroically borne by Italy in the war, and of the crisis of exhaustion that resulted from it. Such critical periods of exhaustion have been observed before in other countries. France had one in 1851 when she allowed Louis Napoleon Bonaparte to seize power; she had, to be sure, awakened long before the war of 1870 precipitated the blow from outside.

Italy has awakened infinitely more quickly. Yes, Italy is indeed already cured, even if it may be thanks to the blood of a martyr. The fact that a recent illegal decree has suppressed the liberty of the press shows plainly what would have been the verdict of the Italian people if they had free speech and free elections. This is what counts, because the true life of nations is in their souls. And the Italians, after two years of illusions for some and of suffering for others, have understood in their souls that the salvation of their country, for whose freedom five hundred thousand of our brothers died in the Great War, cannot come from violence in any guise, be it under red or black banners.

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MAKING WAR LOANS TO THE ALLIES

By Albert Rathbone

THE debts of other governments to the United States have been the subject of much discussion since the end of the World War. The effect which their payment would have upon us and upon the countries indebted to us has been the subject of articles written by economists here and in Europe. Suggestions have been made both at home and abroad that these debts should be cancelled or readjusted. Some progress has been made toward their refunding, that is, the conversion of the promissory notes of the respective foreign governments which we held, which by their terms were payable on demand, into long term obligations with fixed dates of maturity. In some quarters it has been suggested that reparation payments by Germany are in some way inextricably bound up with our loans to foreign governments. In other quarters such a suggestion has been strenuously opposed. The obligations of a government, indebted to two or more other governments, and the rights of the creditor governments as between themselves, both legal and moral, have been the subject of speeches widely circulated in the press. It is not intended in this article to discuss these controversial questions, but to attempt to clarify the issues by making a brief statement of some of the basic facts relating to our Government loans and the principal considerations which governed the United States Treasury in making the loans to the Allied Governments under the authority of the Liberty Loan Acts.

Under the provisions of the Liberty Loan Acts the Secretary of the Treasury was authorized to make loans to the Allied Governments only out of credits established in their favor with the approval of the President before the declaration of peace. From time to time, therefore, when the government concerned had requested the establishment of a credit in its favor, the Secretary of the Treasury would obtain the approval of the President to the establishment of such a credit, and thereupon the Treasury would notify the government concerned that a credit had been established in its favor in a designated amount and that from this credit the Treasury would make loans if, and to the extent which, it should determine and for purposes which it should approve. The establishment of each such credit consti-

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tuted the President's approval of loans by the Treasury up to the amount of such credit; ordinarily it had no other effect. It did not constitute a liability of the United States nor an engagement on the part of the Treasury to make loans or to pay out dollars. It was subject to withdrawal at pleasure by the Treasury, and in the cases of credits established in favor of Cuba and of Russia the unused portions of such credits were in fact withdrawn after our Treasury had determined that loans to those governments were not required to the full amount of the credits established in their favor. There were other cases too where established credits were in part withdrawn. In a very few special cases what were called effective credits were established in favor of Allied Governments, that is, credits which the governments concerned were assured would be devoted by the Treasury to making loans to them in the future. This was done in cases where dollars were not immediately required and if, in lieu of furnishing the dollars at once, the undertaking of the United States to furnish the dollars at a future time met the need of the Allied Government. Obviously it was to our interest not to furnish dollars more quickly than needed, and to the interest of the borrower not to have interest run from an earlier date than necessary.

When we commenced establishing credits and making loans the foreign governments desired that credits should be established in their favor sufficient in amount to cover all their dollar commitments and all their dollar needs that they could foresee in the near future. On the other hand, our Treasury felt that in view of our own large dollar requirements for war purposes and the limit placed on war expenditure in this country by the country's productive capacity, the total amount of credits established in favor of Allied Governments should not average more than about $500,000,000 each month. The dollar needs of the Allied Governments as so estimated by them considerably exceeded $500,000,000 a month, so that there naturally ensued a competition between the Allied Governments regarding the extent to which each should participate in the credits we were prepared to establish. Each Allied Government was reluctant to reduce its estimate of its need for dollar credits so as to bring the aggregate of all such requests within the limit of $500,000,000 monthly, fixed by our Treasury. The Treasury was not equipped to determine with certainty whether the effective prosecution of the war required the establishment of a credit in favor of Great

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Britain for one purpose rather than a credit in favor of France for another or in favor of Italy for a third. In relief of these perplexities, it soon became apparent that the estimated dollar requirements of the Allied Governments were one thing, and the supply of commodities obtainable upon our markets in a given time was quite another, and that in consequence, while our Treasury might have been staggered to supply dollars quickly to the aggregate amount indicated by the Allied Governments, it would be able to supply all the dollars required by the Allied Governments as fast as the commodities they purchased could be delivered to them by our producers. In view of these considerations, the Treasury adopted towards Great Britain, France, and Italy the general policy of establishing credits, the amounts of which bore no definite relation to the amount of their commitments nor to the amount of their requirements here, but which aggregated approximately the estimated amount of dollars which they would require for disbursement during a period of thirty or forty days. As a consequence of this method of procedure, competition between the Allied Governments for our credits ceased and we were able in due course to establish for all of them the credits which were needed, in addition to their own available dollar resources, to meet their dollar requirements for war purposes. In the case of certain of the smaller countries it was found necessary to continue to establish credits up to the amount of their commitments in the United States, as without such credits in their favor they found it difficult to place to advantage orders upon our markets.

After putting into effect the practice of establishing credits to cover estimated cash disbursements for a period of thirty or forty days, the Treasury fixed Tuesdays and Thursdays of each week as the days when it would ordinarily make loans from these established credits. In a case of urgent necessity the Treasury would make loans on other days, but it was found to be less disturbing to our banking institutions if the bulk of our loans were made on days fixed in advance. In general the dollars we loaned were made available by the Treasury instructing the New York Federal Reserve Bank (in accordance with the previously received request of the borrowing government) to hold subject to the order of that government a stated amount in dollars, and so notifying the borrowing government. Ordinarily on the same day the borrowing government withdrew from the Federal Re-

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serve Bank the funds placed to its credit and deposited the same with its own depositary in the United States. Loans were not made on every Tuesday and on every Thursday to every Allied Government availing of our loans, but while the war was going on and for some time thereafter, while deliveries were constantly being made to the Allied Governments under existing incompleted contracts requiring the payment to our producers of a large amount of dollars, there were not many Tuesdays or Thursdays on which some loans were not made by our Treasury. The general purposes for which loans would be made to the Allied Governments having been approved, the amount of loans to be made by our Treasury on any given day was determined by a consideration of the amount of the bank balances of the Allied Governments and the estimated dollar demands upon them for the next few days. In connection with the sale of Liberty Bonds, the Treasury had carefully built up a system under which its balances were *pro rated* among various banking institutions throughout the land in proportion to their subscriptions to Liberty Bonds and Treasury Certificates. As the money which the Allied Governments borrowed belonged to them, and in consequence they could deposit it where they pleased, care had to be taken that the equilibrium established by this system should not be disrupted by unnecessarily large cash balances being built up by the Allied Governments with their own depositaries. The governments borrowing on Tuesdays would advise the Treasury regarding their approximate cash balances at the close of business on the preceding Monday, any other dollar resources expected to become immediately available to them, and their estimated dollar disbursements on that day and the next; in the light of that information the Treasury determined the amount of dollars it would loan that Tuesday. Similarly the Treasury on Thursdays would be advised of the approximate amount of bank balances at the close of business the preceding day and of the estimated dollar receipts and payments that day and on the succeeding Friday, Saturday, and Monday.

At the same time that we made them our loans, the borrowing governments, through their representatives duly authorized for the purpose, executed promissory notes for the dollars borrowed, payable upon demand, except in the case of a few of the earlier notes which were expressed to be payable on a specified early date and which after their maturity were carried as past due or

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demand obligations. By their terms, these notes, or certificates of indebtedness as they were often called, bore interest at a specified rate, were payable in gold coin of the United States, and contained an agreement on the part of the borrowing government to convert the notes upon the request of the Secretary of the Treasury of the United States into an equal par amount of convertible gold bonds of the borrowing government, conforming to the provisions of the acts of Congress specified in each note under the authority of which the loan was made. These notes were in all respects as valid and binding as would have been long term obligations payable on fixed dates.

Under the terms of the Acts of Congress our loans could be made to the Allied Governments only for the purpose of more effectually providing for the national security and defense and prosecuting the war. But to prosecute the war against Germany effectively the Allied Governments were obliged to purchase on our markets not only munitions and supplies for their armies but also foodstuffs and commodities required for the sustenance of their civilian populations. In consequence, their war purchases in the United States for which we made our loans consisted of supplies required both by the military forces and the civilian populations of the Allied countries.

The financial requirements of each of the Allied and Associated Governments fell into three classes—according as they arose at home, in allied or associated countries, or in neutral countries. In general, the view of the United States Treasury was that the first class could and should be met by the government concerned through taxation or domestic loans; that as regards the second class, each country (if necessary) should stand ready to provide or arrange finance for the requirements of its allies for expenditures within its borders; and that expenditures in neutral countries should, for reasons of finance, be reduced to a minimum and should be met under some equitable arrangement by those countries able to provide the necessary finance in the required currency.

From the time it received the necessary authority from Congress, the United States Treasury was prepared to make to the Allied Governments whatever loans were required to enable them to make in the United States their necessary war purchases in so far as an Allied Government was unable itself to effect such purchases from other dollar resources at its disposal here. If the

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Allies were successfully to carry on the war, it was absolutely essential that they should make heavy purchases of our commodities. In view of our own stupendous financial program it would have been unwise to permit new issues of bonds of foreign governments to compete in our market with our own Liberty Bonds; and in any event no considerable amount could have been raised by the Allied Governments in that manner. It was clear that through taxation and loans we could gather in dollars, and that the dollars we loaned to the Allies and which were expended by them here remained subject to our taxes or available for the purchase of our Liberty Bonds. These same considerations, however, were applicable to the requirements of all the Allied Governments so far as they could be supplied in any Allied country. Thus there was linked with the proposition that we would find and loan to the Allies the dollars they required for war expenditures in our country, the corollary that each Allied country could and should, to the extent necessary, find and loan its currency to other Allied Governments for their war purchases within its territory. That is, for war purchases within the British Empire, Great Britain should supply and loan the necessary pounds to France, Italy and Belgium, and France should similarly supply and loan the francs needed for war expenditures of the Allied Governments in France.

For its own war purposes in Great Britain, France and Italy, the United States did not borrow pounds or francs or lire. Our Treasury was obliged to procure these currencies for the use of our army abroad. We bought pounds, francs and lire from the governments of Great Britain, France and Italy, and made payment therefor in dollars here. The dollars thus obtained by Great Britain, France and Italy were applied by them towards the cost of their war purchases here, and thus the amount of the dollar loans required by these countries from our Treasury was diminished in a corresponding sum. Similarly Great Britain, loaning to France and Italy much larger values than the British requirements for francs and lire, paid for the francs and lire required for British use by crediting to France and Italy the sterling equivalent of the francs and lire turned over to her. By this means, or by some similar transaction, Great Britain met her needs for those currencies. Some other of the Allied Governments, however, required francs which were loaned them by France and substantially all of the Allied Governments actively

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engaged in the war in Europe required sterling and obtained advances thereof from Great Britain.

The United States financed its own requirements in neutral countries. To some extent our loans to support sterling exchange (which are referred to hereafter) provided the means necessary to pay for British purchases in neutral countries, and, to the extent they did not suffice, Great Britain obtained for herself the neutral currencies she required. Direct aid was required, however, chiefly by France and Italy, to finance much of their necessary war purchases in neutral countries. It was evident that the United States or Great Britain or both would have to find much of the finance required by France and Italy in neutral countries. There was no particular principle under which all such finance should be furnished by one of those countries and none by the other; both the United States and Great Britain were financially able to assume and to carry the burden. Great Britain before we entered the war had supplied such neutral finance as France and Italy required and had not been able themselves to supply. Until we declared war on Germany the war had been the Allies' war, not ours, and our Treasury therefore could not accept the theory that, because before we entered the war Great Britain alone had furnished the assistance required by France and Italy for finance in neutral countries, it was our duty alone to furnish such assistance after we entered the war.

Various considerations had to be taken into account in determining how and to what extent the United States should aid in financing, in neutral countries, necessary requirements of France and Italy, arising from the time we entered the war. Great Britain as the great creditor nation had available facilities for obtaining neutral finance which we, at that time a debtor nation, did not have. The apparent large balance of trade in favor of the United States, after there had been eliminated therefrom the United States exports paid for by the dollars which we had loaned the Allied Governments, became a heavy adverse balance against the United States, and this seriously handicapped the ability of the United States to furnish financial aid to Allied Governments in neutral countries. Through its pre-war commercial interests and its well established war organizations, Great Britain was actually in a better position than we were in, or could put ourselves in, to handle the obtaining and utilizing of such neutral finance. Great Britain had capital interests in many

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neutral countries and for years the ocean transportation of exports and imports of neutral countries had been largely carried on by British ships. Between April, 1917, and November, 1918, as compared with the currencies of Sweden, Norway, Denmark, Holland, Switzerland, Spain, India, Japan, the Argentine, Chile, Peru, and Bolivia, the dollar was at a discount, and generally at a very heavy discount, and the pound was at an even heavier discount than the dollar. Consequently, purchases in these countries, if paid for in dollars or in pounds at their current exchange value, meant costs largely in excess of the high war prices as measured in terms of the currencies of these countries. If we alone were to finance these neutral requirements, it was as a practical matter impossible for us to delegate to Great Britain the control of the expenditure of our dollar loans for the neutral requirements of France and Italy for which they were unable themselves to provide. For the reasons elsewhere referred to, from the financial standpoint it was to our interest, and to the interest of Great Britain as well, that purchases which France and Italy could make in the United States or in Great Britain should be made there rather than in neutral countries. After we entered the war, in view of the considerations mentioned, Great Britain continued to furnish in the first instance most of the neutral finance required by France and Italy, but the United States Treasury, being prepared to bear its fair portion of the burden of securing finance for France and Italy in neutral countries, effected arrangements by which, after we entered the war, such purchases were ultimately in part financed by our dollar loans to France and Italy. The cost of the neutral finance so found after we entered the war was ultimately furnished, in the case of Italy, approximately one-half by the United States and one-half by Great Britain, and—in the case of France—something over one-half by the United States and the balance by Great Britain.

Having thus fixed its general policy as to which countries should be the lenders, the United States Treasury formulated its general policy as to the Allied Governments which should be the borrowers. This was, that our loans should be made to each Allied Government to meet the cost of commodities purchased here for its own use; that we would not loan to one government the dollars needed for purchases to be made by or on behalf of another government, and that neither the financial condition of

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the borrower nor questions of political expediency in our own country should be factors in determining the government to which our dollars should be loaned and whose obligation we would consequently take. In view of the discussions since the war regarding our loans, it is interesting to recall that sympathy here at the time we were making our loans was strongly with France and that it was believed that loans to France would be more popular in our country politically than loans to Great Britain. However, as stated, no such consideration was permitted to influence our Treasury in the making of its loans.

A difficulty arose in applying the principle that we should loan to each Allied Government the dollars required for war purchases here for its own use. Before we entered the war various purchasing organizations had been built up and were functioning. It was deemed unwise to disturb or disrupt them. Many purchases were effected by a single organization set up by one of the Allied Governments which pooled the necessary purchases for the use of the three principal Allied Governments. To have insisted that each government make its own purchases separately would have caused them to compete with each other and would have further raised prices in the United States, with the resultant increase in the amount of our loans. To meet this situation, what was known as the dollar reimbursement plan was devised. Under this plan, if one Allied Government borrowed dollars to pay for purchases made by it in whole or in part for the use of another Allied Government, we loaned the government for whose benefit the purchases were made a sufficient amount of dollars to permit it to reimburse the government originally making the purchases. This was done on a settlement of the account, and sometimes indeed before its final settlement, and the government to which reimbursement was made either applied the dollars thus received toward the repayment of our loans to it or else held them to meet its dollar expenditures for purposes for which dollars would otherwise have been loaned to it by the United States. For example, if a British agency purchased in the United States a commodity, say copper, part of which was to be used by Great Britain, part by France and part by Italy, the British Government in the first instance borrowed of our Treasury sufficient dollars to make payment for all the copper so purchased. Later, when a specified amount of the copper so purchased was turned over to France and a specified amount to Italy, the British

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Government made claims against the French and Italian Treasuries for reimbursement in dollars for the cost to the British agency of the copper turned over to those countries, the price charged them being determined by the price of all copper so purchased, including expenses incident to the purchases, cost of transportation to seaboard, interest, etc. When these accounts of copper purchases were settled between these three governments, and sometimes pending final settlement, the French and Italian Governments would ask loans of the United States Treasury for the purpose of repaying in dollars to the British Government the amount of dollars which the British Government had thus expended for them in buying the copper turned over to France and to Italy, and dollar loans in the required amount having been made to France and to Italy, they would then pay the dollars to Great Britain in settlement of the cost of copper delivered to them by the British agency. The next step would probably have been to require the British Government to repay the dollars thus received to the United States Treasury on account of our loans to Great Britain and to have cancelled a corresponding amount of British obligations, had it not been that the cost of the copper bought for France and Italy then would have figured twice in calculating the aggregate amount of our loans to the Allied Governments; once when purchased from the American producer by the British agency for France and Italy, and once when purchased at cost by France and Italy from the British agency. Ordinarily, therefore, instead of requiring the dollars so received by Great Britain from France and Italy in reimbursement of the cost of its copper purchases for those countries to be applied on the British obligations which we held, our Treasury would require Great Britain to expend the dollars so received by it from France and Italy for other of its dollar purchases, in all respects as if the dollars so received had been loaned by the United States to the British Government. In its essence the dollar reimbursement plan was merely bookkeeping which, when applied, resulted in our loans being made to the appropriate country for whose use they were expended in accordance with the policy of the Treasury as stated. Its practical effect was to substitute for British obligations in our portfolio the obligations of other Allied Governments to the extent that purchases were made from our dollar loans to Great Britain for the use of other Allied Governments.

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The difficulties which naturally occurred in giving effect to the principles which our Treasury adopted and the modifications which became necessary in the methods which we used in making our loans inevitably caused some extension of these principles. As already stated, we were prepared to loan the dollars needed to buy available commodities produced here so far as required by the Allied Governments for war purposes. It had, however, been the business custom for years, and such custom could not be changed in a day, to pay for various of such commodities, notably cotton, by means of the foreign exchanges.

For example, British manufacturers had for years been large buyers of raw cotton in the United States. The British manufacturer in payment for the cotton he purchased would authorize the American seller to draw on him for pounds sterling in a specified amount. The American seller would accordingly make his draft payable in sterling, and as he did not want pounds sterling in England but dollars in the United States, he would sell such draft on the New York exchange market for dollars. In ordinary peace times there was a commercial demand in New York for pounds, and these sterling drafts could readily be sold at or about the par of exchange, *i.e.*, for an amount of dollars the gold content of which would equal the gold content of pounds to the amount specified in such draft. In peace times, fluctuations in exchange where the supply of pounds offered on the New York exchange market exceeded the demand, and *vice versa*, were checked by England exporting gold to us, or if the demand for pounds exceeded the supply of sterling drafts offered, by our exporting gold to England. War-time conditions fundamentally changed this situation. Great Britain in effect prohibited the export of gold and we permitted gold to be exported only under special licenses which were issued only in exceptional cases. Great Britain's exports were curtailed and her commercial carrying trade was disrupted. As we bought much less of British commodities and services during the war than in peace times, we required much less sterling than in peace times to pay for such British commodities and services as we bought during the war. On the other hand, the British need of dollars had largely increased over her peace-time requirements. Necessarily the effect of these conditions was to increase the British demand for dollars and to lessen the demand for pounds on our exchange market. Therefore, if cotton and other com-

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modities purchased of us, which in peace times were ordinarily paid by sterling drafts, were still to be paid in that manner, it would not be possible to sell these sterling drafts for dollars at or near the par of exchange; and instead of drafts payable in pounds sterling commanding in our market something near the par of exchange in dollars ($4.86+) they could be sold only at a great sacrifice, how great it was impossible to foresee. Certainly on our exchange market the value of the pound as compared with the dollar would have tremendously declined and the credit of Great Britain would have been seriously affected at a time when it was of the utmost concern to all the governments at war with Germany that the financial credit of the Allied Governments should be maintained. It was recognized that the sterling drafts offered for sale on the New York exchange market were not only drafts issued in payment of purchases in the United States, but also drafts used in payment of purchases in other parts of the world, both within and without the British Empire; and that such purchases were not only governmental purchases but also private purchases, not only purchases by residents of Great Britain but also by residents of other countries. Hence our making loans for the purpose of supporting British exchange necessarily would involve an extension of the principles formulated by our Treasury to govern it in making our loans. However, it was believed that, because of the control exercised by the Allied Governments over exports and imports and over shipping, the great bulk of the purchases for which payments would be made over our exchange market would be for war materials and other commodities necessary for maintaining the civilian populations of the Allied countries, and that through such control and coöperation between the governments the amount of drafts coming on the exchange market, representing purchases in neutral countries, could be kept within reasonable limits.

It was decided, therefore, that British exchange should be pegged and that the Treasury would make the necessary dollar loans for the purpose. British exchange was pegged by supplying sufficient dollars through our loans to Great Britain to enable its representatives to purchase on the New York market, at a price agreed upon in advance, all sterling drafts offered for sale which were not purchased at or above that price. Thus there was created an unlimited demand for such drafts at a fixed price. The total amount expended by Great Britain in support of ex-

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change and for cotton purchases was approximately $1,682,000,000, of which about $1,275,000,000 was during the period from April 6 to December 31, 1917, when our governmental agencies for the control of purchases were being established. It is impossible to analyze this large amount of expenditures but a study of our trade returns for 1917 suggests that, during that year, the amount of our advances to the Allies not represented by purchases and other expenditures in the United States was only a very small proportion of the total. By the first of January, 1918, most of the important purchases, other than cotton, had been taken off the exchange market and were being paid for direct in dollars and the advances to Great Britain for the purchase of exchange and for cotton for the period from January 1 to November 30, 1918, fell to about $296,000,000. During the same period our exports of cotton to Great Britain, as shown by the trade returns, amounted to about $290,000,000. The United States also made loans to support French exchange, though the method employed was somewhat different and the amount involved much less than in the support of sterling exchange. British exchange was pegged at a fixed point ($4.76 1/16 per pound for cable transfers) for the entire period. French exchange was pegged at a point, generally in the neighborhood of 5.70 francs to the dollar, agreed upon practically each month. Italian exchange lacking our support had depreciated to about 9.15 lire to the dollar, but after support was arranged through our standing ready to make loans to purchase drafts payable in lire, Italian exchange was brought to about 6.35 lire to the dollar.

As many French purchases were paid for by sterling drafts which were offered for sale in our markets, the dollar reimbursement plan was utilized to reimburse Great Britain for her borrowings of dollars to support sterling exchange to the estimated extent that French purchases were paid for in such sterling drafts. The cost of sterling drafts representing French purchases, paid for from our loans to Great Britain to support sterling exchange, was approximately $50,700,000, and accordingly we ultimately were given French obligations in lieu of British obligations to that amount.

The Treasury as rapidly as practicable arranged that payment for American commodities purchased by the Allies should be made direct in dollars, and eventually by far the greater part of the commodities (including cotton) which at the time we entered

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the war were being paid for by drafts payable in foreign currencies, were paid for direct in dollars by the Allied Governments *out of our loans to them.*

Next the shipping situation presented difficulties in the way of carrying out the Treasury's theory as to the particular government to which a loan should be made. These difficulties were most acute in connection with the supply of cereals. Apart from the United States, the principal sources for the supply of cereals were within the British Empire (Canada, Australia, India, etc.) or in neutral countries, especially the Argentine, in which Great Britain was in a position to secure finance. Considerations, both of time and of risk in shipping, made it expedient that Italy and France should be supplied largely from British Empire sources and that Great Britain should be supplied from America, rather than that all British Empire supplies should move to Great Britain and a corresponding amount of American supplies should move to France and Italy. It was recognized, however, that such an arrangement made for the common good should not have the effect of increasing Great Britain's borrowings in America on the one hand, and its loans to France and Italy on the other. The difficulty was worked out by means of a theoretical cereal allocation. That theory assumed that each country would receive, and so far as necessary apply to its own needs, the cereals available within its own territorial boundaries, and that it would purchase cereals here and borrow dollars for the payment thereof only to the extent that each country required for its consumption cereals in addition to the supply available within its own territories. Actually, in order to economize in the use of ships, the cereals were taken from the sources most available in view of the shipping situation and the German submarine menace.

Under the cereal allocation theory, the British Empire's supply of cereals was to be allocated in the first instance solely to Great Britain, and the cereal supply purchased in neutral countries was to be allocated to the country finding the finance, which was to be procured in such manner that sterling and franc drafts issued in payment therefor would not come upon the New York market as exchange and would not therefore be purchased with dollars from our loans to support exchange. The exportable supply of the United States was to be allocated in proportion to the requirements of the various allied countries in excess of those

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covered in the manner previously indicated; and our Treasury was prepared to make advances to the Allied Governments, in accordance with such allocation, up to the f.o.b. cost of the United States supply purchased and allocated to them.

The cereal allocation theory dealt with further allocations of minor importance and also with the allocation of any excess of the British supply over British requirements. In point of fact, however, the British supply fell somewhat short of British requirements, and consequently a small part of the American supply was allocated to Great Britain. The practical effect, therefore, of the cereal allocation theory was that we received British obligations for the cost of cereals to the extent only that the British supply (obtained from the British Empire and neutral sources) was inadequate to meet the needs of Great Britain, although something over one-half of the cereal import requirements of the United Kingdom were actually met from the United States supply; and that we took the obligations of other Allied Governments for the cereals furnished them, although their requirements were actually met, at least to a considerable extent, by shipment from the British Empire source of supply. Before the cereal allocation theory was entirely worked out and accepted by the American and British Treasuries, and to meet a pressing emergency, at the urgent request of Great Britain we loaned her in the neighborhood of $200,000,000 to purchase wheat in Canada. The inability of Canada to finance its export of cereals was due largely if not entirely to purchases being made by Canada in the United States of the same character as those for which our Treasury was prepared to make loans to the Allied Governments, so that in making this Canadian cereal loan to Great Britain the departure from our principle of not ordinarily making loans to an Allied Government to finance purchases within its own territory was more apparent than real.

Much discussion took place regarding the extension of the principles of the cereal theoretical allocation to other supplies. In general, our Treasury expressed willingness to apply the principle to all cases where Great Britain was buying in the United States and furnishing to other Allied Governments similar supplies in substantially the same condition or stage of manufacture, whether Great Britain had obtained such supplies from the United States or from other sources, and on this basis British claims for reimbursement by France for pigiron and steel billets

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were accepted by the United States. Our Treasury, however, refused generally to extend the principle to raw materials of American origin used in producing manufactured articles for the Allies in Great Britain. Obviously many new considerations would have arisen in connection with any such extension, one of the most important being the difficulty of applying it with any degree of accuracy or completeness, particularly as such application to be logical would have to be bilateral, so that against any adjustment for, say, American pigiron entering into shells supplied by Great Britain from its loans to other Allied Governments there would have had to be an adjustment for, say, Indian jute contained in American sacks purchased with the dollars we loaned to the Allies. It is probable that on balance the amount involved in any such extension of the principle would have been relatively unimportant. Nevertheless, in certain specific cases where, to meet a military emergency, the Interallied Munitions Council required deliveries from one army to another of manufactured munitions containing American raw materials, the Treasury did consent that dollar reimbursement might be made for the cost of the American raw materials entering into the munitions so delivered.

The question of what items of British expenditures were made for account of other Allied Governments, and hence entitled to full reimbursement in dollars if made in the United States and part reimbursement if made in neutral countries, was a frequent subject of conference between the Treasuries of the countries concerned. It was not easy of solution. Great Britain made purchases for France for which dollar reimbursement was claimed from France to an aggregate amount in excess of $1,000,000,000. For a considerable period France paid Great Britain on account of such purchases the sum of $10,000,000 a week, derived from loans to France by the United States Treasury. It was easy to determine that certain of the advances made to Great Britain were for the use of Great Britain and of no other country. Munitions, cotton, foodstuffs, tobacco and other commodities purchased by Great Britain out of our loans were transported to England and there consumed because Great Britain had not a sufficiency of these commodities and required them for consumption if the war was to continue. So, too, interest on the advances we had made to Great Britain and the amounts required to meet the principal and interest of dollar obligations of

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the British Government to private holders as they matured during the war period were loans for the benefit and use of the British alone. In other cases it was just as easy to determine that certain purchases were effected out of our advances to Great Britain for the benefit not of Great Britain but of other Allied Governments. Such advances were repaid in dollars to Great Britain by the respective Allied Governments out of our loans made to them for that purpose. It was not so easy to determine other questions—for example, the division between the United States and Great Britain of purchases made in neutral countries for the use of other Allied countries, the proper settlement of the complicated figures dealing with the cereal allocation theory and the transportation of cereals, or the extent to which French purchases were paid for out of our loans to Great Britain to support sterling exchange. These and other debatable questions were argued *pro* and *con* and eventually an agreement was reached by the American and British Treasuries as a result of which dollar loans were made by the United States to the countries concerned and by them paid to Great Britain in full and final settlement, certainly as far as the United States Treasury was concerned, of the claim of Great Britain that it had used part of its dollar advances from the United States to effect purchases for the benefit of other Allied Governments. The dollars so received by Great Britain were either paid to the United States Treasury on account of British obligations which we held, or, as previously stated, used for dollar requirements of Great Britain in lieu of further loans to Great Britain from the United States. In either case the effect was to decrease the aggregate amount of British obligations which otherwise would have been held by us and correspondingly to increase the aggregate amount of the obligations of the other Allied Governments to us.

It will be observed from the table hereinafter set forth that the total amount of dollars paid in reimbursement to Great Britain by the other Allied Governments from our loans to them aggregated about $1,850,000,000. Without making a detailed analysis of this figure it may be broadly stated that of this sum roughly $1,100,000,000 represented reimbursement on account of cereals, $500,000,000 reimbursement for other replacements of a similar character such as iron, steel, meat, etc., and $250,000,000 neutral purchases and other special items.

These were the general theories on which the bulk of our war

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loans were made; there were special cases which had to be specially treated, such as the loan of our melted silver dollars to Great Britain under the Pitman Act, for use in India, which loan has now been repaid in full; loans to France in lieu of compliance with a request for one billion gold francs which M. Clemenceau made of President Wilson at a time when the Germans were advancing towards Paris and when our franc requirements for the purposes of our army in France were large; and loans for Austrian relief to prevent the spread of anarchy and the continuation of war. Attention should be called, however, to one notable departure from the principles adopted by our Treasury in making loans for expenditure in the United States, namely, the loans we made to Great Britain to enable that Government to make payment here in dollars of obligations which, before we entered the war, it had assumed in connection with American contracts entered into by the Russian Government. Before we entered the war our manufacturers had quite generally refused to enter into contracts to supply commodities to Russia unless they received some assurance that Russia would make the payments she obligated herself to make under the terms of the proposed contracts. Great Britain supplied the credit required by our manufacturers on Russian orders and in effect guaranteed the payments which Russia obligated herself to make under such contracts. After we entered the war, we from time to time loaned, to Great Britain and not to Russia, the dollars required to make the payments under these contracts as they became due, because the obligation was incurred by Great Britain before we entered the war. Thus Great Britain was called upon to pay and did pay out dollars we loaned to her (not to a very significant amount in comparison with the aggregate of our loans to Great Britain) in discharge of her old obligation of guaranty under these Russian contracts. To some extent Great Britain recouped these expenditures through the utilization or disposition of material delivered under such contracts, but on balance some small part of our dollar loans to Great Britain was for the purpose of meeting obligations in the United States entered into by Great Britain before we entered the war, but which were settled after we entered the war, and not for the direct benefit or use of Great Britain but for the use and benefit of Russia.

Some of our dollar loans had resultant effects which were of importance. Lending the dollars needed to support sterling ex-

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change resulted in the purchase by the British Government, from our loans, of drafts payable in sterling, and to the extent that such drafts were drawn in payment of purchases not made by the British Government itself, that government collected the sterling called for by the drafts purchased. The sterling thus obtained was available for the governmental purposes of Great Britain and to a corresponding extent diminished the sums the British Government was obliged to raise through loans or by taxation. When we loaned dollars with which the British Government purchased commodities, notably foodstuffs, for the use of the civilian population, the pounds paid therefor to the British Government on the sale of these commodities in Great Britain to the inhabitants of that country became available to the British Government. The French Government obtained a supply of francs through our support of French exchange, and France, Italy and, to a lesser extent, other countries obtained supplies of their currencies through the sale to their civilian populations of commodities purchased through our dollar loans. Our support of British and French exchange necessarily had the effect of maintaining the purchasing power of the pound and the franc, with consequent savings to the Governments of Great Britain and France. The purchasing power of the lira was increased when the arrangements we made effected its rise on our exchange market.

In the latter part of March, 1918, the Chancellor of the Exchequer for the British Treasury proposed a modification of the methods theretofore in use by the United States Treasury in making its loans to the Allied Governments. It was proposed that our Treasury should take over all the future obligations given to Great Britain by France and Italy, except obligations which they should enter into for the payment of interest on advances previously made to them by Great Britain, and that Great Britain should remain primarily responsible for arranging the finance of supplies to France and Italy outside of North America. For the supplies thus purchased for France and Italy it was proposed that France and Italy should make payment to Great Britain in dollars received by France and Italy from our loans, instead of making payment therefor to the British Treasury by their Treasury bills, and that the dollars so received by Great Britain were to be used to meet in part the approved purchases of Great Britain in the United States. The British Treasury

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estimated at that time its monthly loans to France at about $75,000,000 and to Italy at about $43,000,000, exclusive of loans for interest due Great Britain upon her previous advances, and that the result of adopting the proposal would be that the United States would loan to France and Italy about $118,000,000 per month more than we were then loaning those countries, and to Great Britain monthly about $118,000,000 less than we had been loaning her. This proposal was not accepted.

An excellent editorial entitled "The Balfour Note Once More," appearing in the British financial journal, *The Economist*, of March 10, 1923, states that the United States refused to accept this proposal largely on the ground that if it did so it would have no control over the expenditure of the money spent by agencies of the British Government for France and Italy. It is true that this consideration was one reason for declining the proposal. It was, as a practical matter, impossible for the United States to loan dollars to France and Italy for purposes and in amounts which were to be determined, not by our Treasury, but by agreement between Great Britain on the one hand, and France and Italy on the other hand. It was, however, a part of the proposal that Great Britain should remain responsible for financing in the first instance the supplies to France and Italy outside of North America, and indeed it would have been most unwise to scrap the efficient purchasing organization built up during the war by Great Britain. But while this consideration was important, the real reason for the rejection of the proposal was that it was in conflict with what our Treasury strongly believed should be the fundamental principle in making government loans, namely, that each government should find the finance required within its own territory by itself or by an Allied Government to the extent that such Allied Government was unable itself to provide the same. The reasons for the formulation of this principle have already been discussed. It was the least burdensome manner of finding the necessary war finance and our Treasury felt that any radical departure from that principle could not be logically defended and was fraught with financial and political danger. Through the cereal allocation theory and its extension to other commodities already referred to, the United States relieved Great Britain from the necessity of making loans to other Allied Governments for their purchases from her of commodities of substantially the same character

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and in the same state of manufacture as Great Britain was buying concurrently in the United States. But the fact that the Allied Governments required and were purchasing coal and woolen goods from Great Britain seemed no reason for our accepting French or Italian obligations, whether given before or after we entered the war, in payment for British purchases here of raw cotton or copper for its own use.

The fundamental cause of Great Britain borrowing from us while loaning to the Allies was that there were commodities here which Great Britain required for her own use and was obliged to pay for in dollars which she borrowed of us, and there were commodities within the British Empire required by the Allies which had to be furnished them and for which they could not pay except from loans. The same condition existed, though to a smaller extent, in the case of France, which, while borrowing both of the United States and of Great Britain, nevertheless made loans to Belgium, to Italy, to Russia and to others of the Allies.

The position of the British Government as both a borrower and lender unfortunately has led to some misapprehension regarding our own loans. In some quarters there has apparently existed the erroneous impression that while we made loans to other Allied Governments we did so only on British security, or the equally mistaken view that the dollars Great Britain borrowed of us enabled her to make loans to other Allied Governments.

The London *Economist* has done yeoman's service in removing these misunderstandings. Thus in its editorial already mentioned it is said:

"In the circumstances described we sympathise with the complaint of the American Ambassador against the sentence in the Balfour Note in which it says, 'Under the arrangment then arrived at the United States then insisted, in substance, if not in form, that, though our Allies were to spend the money, it was only on our security that they were prepared to lend it.' This sentence certainly suggests that the American Government refused to accept the credit of our European Allies, and that in some way we were made to underwrite the loans they made from America for all purposes—an implication which is entirely incorrect. We regret, therefore, that Lord Balfour should have said on Thursday that 'I am unable myself to find in those words anything which is either misleading or obscure.'"

Again in an editorial entitled "Inter-allied Debt," appearing in *The Economist* of January 10, 1925, it is stated:

"Again, the fact that we are paying the United States is not in itself an argument for bringing pressure upon France, for it is not in any sense true, as is

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commonly supposed, that we borrowed from the United States merely to relend to France and Italy. Our loans from America are quite independent of our loans to our European Allies. America lent to Italy, to France, and to Great Britain moneys required to enable them to make necessary purchases from the United States, and far the larger part of what we bought in America consisted of wheat, meat, metals, explosives, oil fuel, and other essentials, either of our national existence or of our war effort. But France had to borrow not only in America; the fact that the greater part of her pigiron production was in German hands and that her mines were destroyed, meant that she had to buy iron and steel and coal in Great Britain, as well as woollen cloth, chemicals, and a great variety of manufactured products for which we advanced her sterling credits. It is an accident that the amount of these advances to France and Italy for purchases in Great Britain amounted during the latter part of the war to about the same amount as we had to borrow for British needs in the United States. But we cannot argue that if we had not been compelled to lend to our European Allies we need not have borrowed from America; the reason we had to borrow from the American Government was that—large though our internal loans might be—we had no means of securing credit in dollars. It is true we might have raised further sums by continuing to sell conscripted American securities, but it was already becoming difficult to make further sales, and this method of raising money would have been increasingly costly. On the other hand, the United States Government, as soon as it came into the war, was determined to control the purchases of ourselves and our Allies. For all parties concerned, therefore, it was the cheapest and most convenient plan for us to borrow from the United States Government. It is quite certain that even if France had not had to make any further purchases in Great Britain in 1917 and 1918, we should still have been under the necessity of borrowing in dollars in the United States in order to feed Great Britain and to provide the material which America alone could supply."

It would appear, however, that during the latter part of the war Great Britain's loans to France and Italy were considerably less than her borrowings from us. Official British statistics show Great Britain's loans (probably including interest on loans made before March 31, 1917) from March 31, 1917, to March 31, 1919, to France at about £243,200,000 and to Italy at about £255,500,000 (an aggregate of something under £499,000,000), and Great Britain's loan from the United States Government outstanding March 31, 1919, at over £840,800,000.

That our loans to the Allied Governments attained the magnitude they did is due to the fact that we were not able to put an army at the battle front immediately upon our entering the war. When we first entered the war the Allied Governments were able to purchase large quantities of supplies here requiring large expenditures of dollars and huge loans to them. As our army took the field it began to absorb an increasingly large share of our products and thus the amount of our commodities available for purchase by the Allied Governments correspondingly de-

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creased. So, too, when we first entered the war our governmental requirements for sterling, francs and lire were almost negligible, but as our military strength on the fighting line increased, our requirements for foreign moneys became correspondingly greater and the increasing amounts of dollars which we paid for such currencies furnished dollar resources to Great Britain, France and Italy which were utilized by those countries instead of borrowing from us equivalent amounts.

Our Treasury quite naturally felt that its duty did not cease with the actual making of our loans to the Allied Governments. It was of the utmost concern to the United States just how the dollars we loaned were expended, yet having purchased obligations of the Allied Governments the dollars we paid for such obligations were theirs, not ours. It would have been undignified for them as sovereign states to have permitted even a friendly power to exercise control over their dollar balances. Had the Treasury insisted on controlling the expenditures of the dollars loaned, it could not have escaped responsibility for the use of the borrowed dollars. The Treasury was not equipped to act as a purchasing agency. The acquisition of commodities was imperative, time was most important, and reasonable certainty of prompt deliveries far outweighed ordinary price considerations. Our Treasury concluded that the control of the dollars loaned must be given exclusively to the borrowers; it was so given, and the purposes of the Treasury were served and the interests of the United States protected by other measures taken by our Treasury to which reference will now be made.

In making their written requests for dollar loans the Allied Governments were required to specify generally the uses which they proposed to make of the dollars asked for, and the written replies of the Secretary of the Treasury granting applications for loans likewise specified the general purposes for which the dollars loaned were to be expended. Thus the borrowing governments became obligated in respect of their use of the dollars we loaned them.

The Allied Governments, in compliance with the request of the Treasury and to enable the Treasury to consider further applications for loans in the light of full information as to the use made of dollars previously loaned, reported to the Treasury, in detail and on forms prepared by the Treasury, the use made of the dollars previously loaned them.

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Under arrangements entered into in September, 1917, purchases were made by the appropriate agencies of the various foreign governments under the general supervision of a Purchasing Commission established by agreement between the Secretary of the Treasury and the respective foreign governments for the purpose of coördinating governmental buying in the United States. The Interallied Council on War Purchases and Finance was organized through the efforts of our Treasury for the purpose of considering and coördinating the demands of the Allied Governments upon the United States Treasury. Later the War Industries Board was organized and passed upon the necessity of purchases on our markets by our government and by foreign governments as well, and the Treasury in general required the Allied Governments to obtain the consent of the War Industries Board to their purchases of commodities in the United States. Purchases of food in the United States by the Allied Governments were made only if the consent of our Food Administration was obtained, and purchases of fuel (coal and oil) only if the consent of our Fuel Administration was obtained. Arrangements were also made with our War Trade Board whereby the issue of export licenses to the Allied Governments was withheld except for commodities purchased with the approval of one or the other of the above mentioned agencies.

The organizations effected by our Treasury and our government proved to be of considerable value to the missions of the foreign governments making purchases in the United States in aiding them to make their purchases on the best possible terms. War prices were high in the United States, as elsewhere. That war prices in the United States did not go much higher than they actually did was due to the efforts of our Treasury and our governmental agencies to eliminate competition among governmental buyers, to coördinate purchases, and to check price inflation as far as practicable.

The annual report of Secretary of the Treasury Houston of 1920 contains an interesting analysis of the expenditures in the United States of the dollars which we loaned to the Allied Governments. From this analysis has been prepared the following table, in which fractions of $1,000,000 have been adjusted, dealing with the advances, repayments, expenditures, etc., of Great Britain, France, Italy and other countries for the period April 6, 1917, to November 1, 1920.

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	Great Britain	*France*	*Italy*	*All Others*	*Total*
Cash advanced	$4,277	$2,997	$1,631	$680	$9,585
Less refunds and repayments	80	31	....	8	119
Net	$4,197	$2,966	$1,631	$672	$9,466
Expenditures:					
Munitions and remounts	$1,331	$827	$259	$77	$2,494
Munitions for other governments	205	....	....	....	205
Exchange and cotton	1,683	807	87	68	2,645
Cereals	1,375	....	42	5	1,422
Other foods	1,169	295	142	24	1,630
Tobacco	99	41	....	5	145
Other supplies	215	277	63	58	613
Transportation	....	32	100	4	136
Shipping	49	122	1	1	173
Reimbursements	19	1,046	784	24	1,873
Interest	388	269	58	16	731
Maturities	353	290	....	5	648
Relief	16	143	16	363	538
Silver	262	6	....	....	268
Food for Northern Russia	7	....	....	....	7
Purchases from neutrals	....	....	19	....	19
Spec'l for U. S. war purchases in Italy	....	....	25	....	25
Miscellaneous	48	41	56	24	169
Total reported expenditures	$7,219	$4,196	$1,652	$674	$13,741
Less:					
Reimbursement from U. S. credits	$1;854	$19	....	....	$1,873
U. S. dollar payments for foreign currencies	450	1,026	$14	$1	1,491
Proceeds of rupee credits and gold from India	81	....	....	....	81
Total deductions	$2,385	$1,045	$14	$1	$3,445
Net expenditures	$4,834	$3,151	$1,638	$673	$10,296

It will be observed that this table shows expenditures reported to the Treasury exceeding by $830,000,000 the total amount of our loans within the period, and yet the expenditures for the full period had not been reported to the Treasury by many of the governments. It will doubtless be impossible ever to bring about an exact balance between the amount of our loans and the expenditures reported by the Allied Governments. As the Treasury would not in general make loans to an Allied Government so long as such government had available for use dollars however obtained, it is necessary in attempting to balance our dollar loans

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to the Allied Governments with their dollar expenditures to take into account the dollars which were or became available to the Allied Governments from sources other than our loans. When we entered the war a certain amount of dollars were available here to Allied Governments. After hostilities ceased there was some liquidation here by the Allied Governments of supplies they no longer required, which produced dollars. After the armistice the Treasury urged the Allied Governments to provide their dollar requirements through independent action on our financial markets. The British, French, Italian and Belgian Governments all found means to obtain dollar funds here. Even during the war dollar funds were to some extent provided by some of the Allied Governments. The support of Italian exchange resulted, not in dollar loans to Italy for that purpose, but in dollar balances here in favor of the Italian Treasury derived from private purchases of lire on our market. Various departments of our government became indebted to Allied Governments for services rendered or materials purchased, for which payment was made in dollars. American securities owned or controlled by Allied Governments were disposed of in our market, thus increasing their dollar resources. All these factors must be determined and applied if a balance is to be struck between the amount of the dollar resources of the Allied Governments, including the dollars we loaned them, and their dollar disbursements.

Our loans naturally divided themselves, on the basis of time, into two classes: those made before the armistice and those made thereafter. The following table, in which fractions of $1,000,000 have been adjusted, shows the amount of our loans both before and after the armistice, up to November 1, 1920 (all of our loans after the armistice except to a comparatively insignificant amount were made before November 15, 1919), after crediting repayments on account of principal prior to that date, all of which repayments were in the nature of bookkeeping entries except the payment of $500,000 on account of its obligations by the Government of Cuba:

Period	*Great Britain*	*France*	*Italy*	*All Others*	*Total*
April 24, 1917 to Nov. 15, 1918.....	$3,696	$1,970	$1,051	$381	$7,098
Nov. 15, 1918 to Nov. 1, 1920.....	501	996	580	291	2,368
Total.....	$4,197	$2,966	$1,631	$672	$9,466

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In general, we made our loans for the same purposes after the armistice as we did before. Our Treasury absolutely declined to make post-armistice loans for reconstruction or trade purposes. We did loan in the aggregate some $48,000,000 in substantially equal parts to Great Britain, France, and Italy to purchase foodstuffs and relief supplies which those countries furnished Austria. The loan made to Great Britain for this purpose has been repaid to us. Our Treasury had no authority to make loans to Austria, an enemy country, and it was important as a war purpose that relief should be furnished Austria to prevent the spread of anarchy which might have led to a resumption of hostilities, and delayed the ending of war. For the same purposes we made loans direct to Czechoslovakia, Rumania and Serbia. For a time we continued after the armistice our loans to the Belgian Government for use by the Commission for Relief in Belgium. Loans were also made in relatively small amounts to Czechoslovakia, to furnish part of the cost of returning soldiers to Europe. Prior to the armistice, in lieu of complying with M. Clemenceau's request for 1,000,000,000 francs in gold, to which reference has been made, we had established in favor of France an effective credit in the sum of $200,000,000. This credit the French Government had transferred to the Bank of France, and the Bank of France had included the same as part of its reserves. The Bank of France drew dollars against this credit only after the armistice.

When it is recollected that at the time of the armistice we were loaning Great Britain only the dollars needed to meet her day-to-day expenditures, the aggregate of our net post-armistice loans to her of about $500,000,000 seems exceedingly moderate. At the time of the armistice Great Britain was obligated to make dollar payments against deliveries under existing contracts. In March, 1919, the British Treasury estimated its outstanding dollar commitments at about $273,000,000 in addition to about $88,000,000 interest on our loans to Great Britain which became payable and which was paid during April and May, 1919. It was not until some time after the actual signing of the armistice that the Allied and Associated Governments became reasonably certain that hostilities had come to an end, and until so satisfied it was impracticable for them to begin demobilization or to cut down a considerable part of their dollar expenditures here. Our net post-armistice loans to Great Britain were kept down only

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because of her other dollar resources, including dollars paid to Great Britain by the other Allied Governments under the dollar reimbursement plan.

The French and Italian post-armistice net borrowings included in the case of France the advances of the $200,000,000 effective credit assigned to the Bank of France, and in the case of both France and Italy loans made to enable those countries to reimburse Great Britain for purchases made by Great Britain for the use of France and Italy, respectively.

Consideration has here been given only to the bulk of our loans. There are few rules without exceptions and special circumstances had to be given weight in certain cases, but in general the principles stated, which were formulated by our Treasury, were carried into effect, sometimes through the use of complicated methods of procedure forced by war conditions.

The purpose of our loans to the Allies was to win the war. They were made without stint but without waste. We supplied to each country availing of our loans all the dollars each required in excess of its own dollar resources available for purchases in the United States. The dollars we loaned, used in this country by the Allied Governments, were expended for purposes approved by our own governmental agencies. We did not make loans for purposes which in our judgment were unnecessary and not calculated to help win the war. We kept the amount of our loans down by requiring the countries borrowing of us to use to the extent available their other dollar resources for purposes we approved. In conjunction with Great Britain we furnished the finance required to effect necessary war purchases of other Allied Governments in neutral markets. Upon final adjustment we held the promissory notes of each Allied Government to which we had made loans, in an amount corresponding with the financial assistance we had furnished it under the general principles herein outlined.

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THE RHINELAND MOVEMENT

By Dr. Hans A. Dorten

"Si nolis bellum para pacem!"

THE November revolution of 1918 relieved Germany of her various monarchies. At that time nothing seemed more obvious than that the artificial states which had been created in accordance with dynastic considerations should be wiped out in favor of others which should really correspond to the several branches of the German race; and, indeed, the first drafts of the new constitution actually did provide for a redivision of Germany into states of this character.

Such a new alignment would naturally have included a Rhine state (stock of the Rhenish Franks), consisting of the Rhine province, the western part of Westphalia (the Ruhr), Hesse-Nassau, and the Rheinpfalz; a Swabian state (Swabian stock), consisting of Baden and Wurttemburg; a Bavarian state (stock of the Bajuvaren), consisting of Bavaria and Coburg; a Lower Saxon state (stock of the Lower Saxons), consisting of the eastern part of Westphalia, Oldenburg, Schleswig-Holstein, Hanover, and Braunschweig; and, finally, an Upper Saxon state (stock of the Upper Saxons), consisting of the Province of Saxony and Thuringia, the former kingdom of Saxony. Thus the minimum number of individual states would be set up, in order that the necessities of economic life might be more equitably adjusted, yet all the old German racial divisions would have been respected. East of the Elbe, in the German colonial territories, formerly inhabited by Slavs and still showing Slavic characteristics, a new division would have led to the erection of states about as follows: Mecklenburg and Pomerania, Brandenburg, Silesia, and Prussia.

Resistance on the part of the Prussian Junkers to any such scheme manifested itself forthwith, but in view of their complete demoralization it had no particular significance. Rather more unexpectedly, though really quite logically, the Social Democrats later emerged as bitter opponents of the proposed new division. Their leaders recognized that, being a minority, they could retain their leadership only by virtue of the most extreme centralization. They therefore adopted the Prussian system of the Hohenzollerns, with its centralized uniformity and its stock of

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disciplined officials, which in its time had grown up as a result of much the same considerations.

This resistance on the part of the Social Democrats has hitherto prevented a re-division of Germany, and it has also exercised a decisive influence upon the Rhineland Movement. The Rhenish Socialists had placed themselves under the leadership of the native Rhinelander, Jean Meerfeld, and by the end of 1918 the cry of "Los von Berlin!" found a hearty echo from the people as a whole. Immediately after the outbreak of the German Revolution, a preliminary committee drawn from Rhenish-Westphalian industrial circles had been formed with a view to forming a "West German Free-state within the German Reich." Industry felt itself threatened chiefly because of the Muscovite orientation adopted by the revolutionists in Berlin. It assumed that Berlin was going to sink into Bolshevism and was naturally unwilling to be dragged along into the whirlpool. This industrial committee wished to form a frankly industrial state, to which the entire Ruhr should belong, but which was to be bounded on the south by the line Trier-Coblenz and was to include only the northern part of the Rhineland. The economic union was speedily concluded under the leadership of Freiherr von Schorlemer-Lieser, former Minister and Oberpräsident, and presently won the adherence of the Centre, the largest political party of the Rhineland, which by itself controlled the majority of the electorate.

In order to confront the Allies with a *fait accompli* prior to their advance, which was expected to take place about the middle of December, 1918, it was decided to make the proclamation at once; and with this object in view a great assembly was summoned to meet in the Guerzenichsaal at Cologne. The proclamation—demanded, with a frantic waving of handkerchiefs, by more than 4,000 participants—would have been made at this meeting, had not petty jealousies at the last moment prevented. The far-seeing and energetic Oberpfarrer Kastert, to whom was due the great success of the plan to call such an assembly, found himself obliged to yield to the wishes of his comrades, who were unwilling that a proclamation should be made prior to the arrival of Karl Trimborn, party chairman, and a state secretary of the Wilhelmian era. Unhappily his arrival was delayed, thereby affording another individual, Konrad Adenauer, Chief Bürgermeister of Cologne, an opportunity to place himself at

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the head of the movement. This too-foresighted politician immediately began to veer about between left and right, not venturing to associate himself openly with the industrial committee which leaned strongly to the right. When, however, he recognized the enthusiastic unanimity of the people, he felt himself impelled to declare to the committee that a proclamation of the Rhenish state could be made only by a resolution agreed to by all political parties, and that he himself was the only individual capable of bringing about such an agreement. It was a Utopian idea that proved fatal to the movement, but unfortunately the committee did not presume to deny Adenauer's request. He was entrusted with the leadership and the task of preparing both the proclamation and the outline to be assumed by the new government.

At first Adenauer seemed to be meeting with success. All party leaders adhered to him, with the exception of dyed-in-the-wool Prussians; and the press with almost one voice called for a speedy proclamation—the sole exception being the chief organ of Prussianism, the *Kölnische Zeitung*, of which Bismarck, as every one knows, once remarked that it was worth more than an army corps to Prussian interests on the Rhine.

Adenauer proposed a formal launching of the new state in the Hansasaal of the Cologne Rathaus on February 1, 1919, and summoned for this purpose all the representatives who had been chosen for the Parliaments which were to establish constitutions for Prussia and the Reich. As no constitution of either Prussia or the Reich was at that time in existence, this proceeding would undoubtedly have been legal.

But Adenauer too left the southern part of the Rhineland quite out of consideration.

At this point I am compelled to refer to my own activities. Returning from the field toward the beginning of December, I formed, upon receipt of the news from Cologne, a Nassau-Hesse committee in Wiesbaden and Mainz for the purpose of establishing a large and inclusive Rhenish state, to which all culturally and economically unified portions of the Rhineland were intended to belong. I had several interviews with Adenauer for the purpose of having the adhesion of the South to the proclamation of February 1, 1919, taken under consideration. I was authorized to submit the full powers granted me by various cities and associations of the South and was to declare the adhesion of the South immediately after the proclamation. In

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spite of the shortness of the time available I had contrived to secure a number of such full powers.

Toward the end of January the situation in Cologne suddenly changed. The English authorities of the army of occupation (whom Adenauer had sounded) had made no objection to the proclamation of a northern state, but their attitude altered when the question of the South's adhesion was raised. At the time of our first conversation I had warned Adenauer that it might not be sufficient for him to sound the English alone, as quite possibly there might not be unanimity among the Allies in their attitude toward the question of the Rhineland. He was quite of my opinion and commissioned me, as the person principally concerned, to sound out the French in my own district.

My first interview with the French in Wiesbaden led to no very definite result. It was obvious that they were strongly under the influence of local Prussian circles and did not take our movement seriously. But the news of our putting out feelers among the French led the English, whom Adenauer had again approached, to the conclusion that it would be necessary to consult Berlin first—on the ground that as the Government of the Reich was the sole contracting party when the armistice with the Allies was signed, an understanding with it was indispensable! In spite of the fact that a Rhenish state which was to remain within the Reich needed no permission to establish itself from the Government in Berlin—which was, of course, still wholly revolutionary—Adenauer advised Berlin of the contemplated proclamation, with the result that at the end of January, 1919, that Government peremptorily forbade it, giving the following reasons: "England will energetically oppose any French designs for annexation or a protectorate. The English authorities have let it be known that they do not desire a dismemberment of Prussia. They intend to see to it that in the peace negotiations but one debtor shall be left responsible for reparations: Berlin."

Under these circumstances, Adenauer did not venture his proclamation on February 1, 1919, in spite of the fact that more than three-quarters of all the representatives and Bürgermeister, who had accepted the invitation and were bound on their words of honor to their voters to favor the establishment of a Rhineland state, desired the proclamation. After prolonged haggling, a compromise was decided on. The necessity of founding a Rhenish state was unanimously recognized. A committee

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was to be formed to draw up the proclamation, which was already decided on in principle; and this committee would meet under Adenauer's presidency "without delay."

But as Adenauer did not venture to call his committee together, and as nothing came of a final appeal by the previous committee asking him to do his duty, the committee of the South met for a conference with that of the North on March 7, 1919, in the assembly hall of the *Kölnische Volkszeitung*. It was decided to take energetic measures. I was at once empowered to consult the occupation authorities with regard to permission to issue the proclamation. A definite announcement was sent to the commanders of the American, English, and French forces, signed by Kommerzienrat Albert Ahn (Democratic Party), Consul Heinrich von Stein (Conservative Party), and the publisher, Franz X. Bachem (Centre Party), besides many other leading personages of the Rhineland. In this message it was requested that the Peace Conference should reach no decision relative to the Rhineland's fate without consulting its people, who were willing to meet their share of the reparations and to guarantee the security of Europe by creating a peaceful state on the Rhine, while remaining within the German Reich. On March 10, 1919, a great meeting of the committees took place in Cologne, which specifically endorsed this program and urged its immediate and definite execution.

While Dr. Froberger, the editor, was approaching the English occupation authorities I again got in touch with the French and sought also to communicate with the Americans; but in spite of every effort I was unable to see the American commander. In his book, "My Rhineland Journal," General Allen writes: "Through some mistake . . . Dr. Dorten was to come to see me tomorrow. Naturally, I informed the chief of staff . . . that I never, at any time, contemplated seeing him."

As for the French, it unfortunately was the middle of April before I was able to break through the cordon of subordinates drawn about General Mangin. But when I did reach him I found a man of large views and possessing an active mind, who achieved a full and objective understanding of the question of the Rhineland and who during his short stay won the sympathies of every class. On May 17, 1919, I had a conversation with General Mangin in which Representatives Kastert and Kuckoff, among others, took part. The program outlined above

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was searchingly examined and drawn up in the form of a draft. In this document expression was given to the hope that the voluntary assumption by the people of the Rhineland of guarantees for the rest of Germany would make possible a considerable mitigation in the terms of peace. Both these deputies had previously informed Herr Scheidemann, who was then Ministerpräsident, of this conversation. Now they also sent him the draft which had been drawn up. But instead of using this step as a means of clearing the way for negotiations in Paris, Scheidemann broke his promise of discretion and, through his associate Sollmann in Cologne, issued a falsified version, in which the sentence providing that the Rhine Republic was to remain within the German Reich was omitted. When the two deputies exposed this infamous falsification in Berlin they were treated in such a shameful way that they gave up their mandates and withdrew from further dealings.

I was now assigned by the committee the task of bringing off the proclamation prior to the close of the Peace Conference, in order to give the most emphatic expression to the fixed determination of the Rhenish people to decide their own future. But when, in an effort to secure permission to hold the ceremony at Aachen, I opened negotiations with the Belgian authorities there, I met with the most vigorous opposition.

What I had suspected in Cologne on February 1 was now only too clear. Belgium, France, and England had quite different interests along the Rhine and had no intention of entrusting these interests to an act of the Rhenish people's will. Instead, the division of the Rhineland into a northern and a southern part was of decisive interest both for England and for Germany. Their disinclination to support a Rhine Republic which should embrace the entire Rhineland was to be explained by their fear of an undue extension of French influence in the Rhenish-Westphalian industrial territory in the northern part. The coal and iron question, which today is so acute, due to the fact that a fusion of Rhenish coal with French ore would lead to a coalition of heavy industry on both sides able to dominate the European market, was even then playing a decisive rôle. Whoever has followed the Anglo-French antagonism in the Ruhr will understand the situation. Belgium had interests in the north which corresponded with England's.

After the failure of negotiations with the Belgian authorities

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it was decided to attempt the proclamation on May 27, 1919. The place chosen was the city of Coblenz, situated in the center of the Rhineland and provisionally regarded as the future capital.

As a personal appeal to the American commander seemed impossible, I requested General Mangin to advise him of our intentions and to request permission to call the Rhenish delegates together in Coblenz on this date. Not only, however, did General Allen refuse this permission, but he went so far as to declare that anyone coming to Coblenz for this purpose would be arrested. He had been led to believe that the Rhine Republic was to be proclaimed in Coblenz by French agents. Later I had an opportunity to set this error right, and in repeated interviews with the two officers detailed for "civil affairs," Colonel Hunt and Major Bagby, I was at great pains to make perfectly clear the true character of the Rhenish movement.

Although under Article 18 of the new Weimar Constitution the advocacy of a plebiscite on the question of founding such a state was perfectly proper, the movement met with continual difficulties in the American zone, which were to be traced to deliberately false information supplied to the Americans by the Prussian authorities. As an example of this, let me remark that on one occasion American officers sought to arrest me because the Prussian administration insisted that I was on my way with an automobile full of explosives to prepare the way for revolution! It was unhappily impossible to persuade the Americans that the Rhenish movement was not wholly "Made in France."

Convinced at length that the American, Belgian, and English opposition made active progress impossible, I saw that there was nothing else to do, if I wished to fulfil my duty, except to attempt a formal proclamation in the French zone. On June 1, 1919, the Rhine Republic was proclaimed as a neutral state (*Friedensstaat*) within the German Reich. In the proclamation the establishment of the new state was explicitly referred to a plebiscite. Simultaneously I notified the leaders of the Paris Peace Conference of what we had done, and also the Government of the Reich, at the same time requesting that a representative of the occupied area should be allowed to come to the Peace Conference, in order that the wishes of the Rhenish people might be heard with regard to the arrangements for their future.

Lloyd George, however, was able not only to block every effort of the Peace Conference to take up this question, but also

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to procure General Mangin's recall. It must remain for later events to demonstrate that a clarification of the Rhenish question —*then practically unknown to the Allies*—might, even thus early, have given the world an enduring peace.

At that time no one in Germany presumed to return a negative answer to the question whether the majority of the people of the Rhineland really supported the Rhenish movement. In any case the question itself is an idle one, for the advocates of the movement had themselves always declared that only the decision of a plebiscite could be authoritative. If the Prussians were so sure of their success, they need only have permitted a plebiscite in accord with Article 18 of the Reich's constitution. But even today they do not dare follow such a course. At any rate, after the proclamation of June 1, 1919, I received declarations of adherence from all sides. In the American zone, for example, the Centre Party officially declared their conviction of the necessity of a Rhine Republic. I possess several hundred officially attested documents, in which the chosen representatives of more than a million and a half voters so express themselves.

In view of the disagreement among the Allies, we confined ourselves from 1919 to 1923 mainly to a systematic propaganda and to work for the preservation of the Rhenish idea. Besides this, we kept in touch with the other federalistic movements in Germany and developed a common program. It is not difficult to understand why I cannot at present go into specific details. Prussian measures of opposition are so brutal that any indiscretions on my part might have disastrous consequences.

In view of the fact that the left wing of the Centre Party, with its socialistic leanings, was beginning to sheer off, the *Kölnische Volkszeitung* felt that it could no longer devote itself whole-heartedly to the Rhenish question. Its editorial direction suggested that we found a daily newspaper of our own. The *Rheinischer Herold* was therefore started in Cologne. Later the press was moved to Coblenz, where, upon orders from Berlin, it was destroyed by secret Prussian sympathizers.

The attempt upon the life of the Separatist leader, Joseph Smeets, like the murders of Erzberger and Rathenau, was contrived by Prussian agents. This former secretary of the Socialist Party had founded in Cologne a party which sought the complete separation of the Rhineland from Germany; from this party subsequently emerged the parties of Deckers and Matthes.

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The adherents of the federalistic movement, however, under the leadership of Oberpfarrer Kastert, held out resolutely for the "Rhenish popular union," as laid down by the proclamation of June 1, 1919. They represented an overwhelming majority of sympathizers. At the same time, however, the Separatist parties enhanced popular discontent over the unsatisfactory state of affairs in the Rhineland.

Although the population of the Rhineland have never been in favor of division from the Reich, one must nevertheless take into account what might be called the "opportunist-fatalistic" side of their character, their mellowness, their lack of stamina—all a consequence of their historic development and especially of the significance of the Rhine basin as a military highway from the time of Caesar, through Charlemagne to Napoleon. As the Centre, the strongest party in the Rhineland, openly recognizes the principle that it shall be ready to break off former relationships where realistic considerations demand it, there is no telling what turn the Rhenish question may eventually take, if it is not solved definitely, once for all. Prussia has in the past understood how to exploit the weaker side of the population, adroitly and unscrupulously.

When the Rhenish movement began to show signs of life and vigor once more, the *Heimatdienst*, an official organization which during the war had been entrusted with propaganda in favor of holding out to the bitter end, was set up in the Rhineland. It squandered incredible sums on behalf of Prussianism. The amount spent on various kinds of jobbery from 1920 to 1923 (of course at the expense of the Reich as a whole) must be estimated at a billion gold marks at least. In return for their "fidelity" to Prussia, officials and party leaders received heavy "contributions"; industrialists, farmers, vineyard owners, and merchants got lavish "loans"; while musical and athletic associations found that "patriotic aid" was available. It is not too much to assert that in 1923 half the population were getting monthly remittances from Prussia in some form or another. We were compelled to permit acceptance of such contributions by our own adherents, who would otherwise have come under the suspicion of being "Separatists," which implied relentless economic boycott and threats of persecution by the official and semi-official authorities. Against the Prussian billions we had scarcely a penny, and against their threats we were defenseless.

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Let no one speak of "French support" for the genuine Rhenish movement. In most cases the French occupation authorities showed more leniency towards the Prussians than toward us Rhinelanders. Sympathy for France, which undoubtedly existed in the Rhineland in the beginning, and which General Mangin knew how to strengthen, faded more and more during the course of the year, as a result of Prussian activities, but also because of a lack of understanding by the French themselves.

The assertion that the Rhenish movement was artificially produced with French money is a downright lie. Our chronic want of money testifies to quite the opposite of our being "financed." No such offer was ever made me. On the contrary, when the movement began we were provided with means from Rhenish industrial circles; and later we had to get along with very little.

No one has regretted so much as I that the United States has hitherto received no news—or still worse, only false news—regarding our movement. Reasons for this are found in the lack of a uniform program among the Allies as to the treatment of the Rhine problem, and in the busy and endless Prussian press campaign, which was able completely to deceive the world about the true character of the Rhenish movement and to influence opinion in Allied and neutral countries in Prussia's favor. Prussianism was identified with Germany. Whoso opposed Prussia was an offender against Germany. To be federalist was to be falsely represented as separatist or pro-French. As a result, then, the Rhenish movement has been twisted into appearing an anti-German instrument for France.

Early in the year 1923 the policy of "passive resistance" to the occupation of the Ruhr, ordered from Berlin, brought a new turn to affairs. The "activists" of the movement more and more won the upper hand, and the people, weary of finding themselves perpetually between hammer and anvil, longed for some change in their unendurable condition. The *Rheinische Volksvereinigung*, therefore, determined to urge upon the Interallied Rhenish Commission the summoning of a Rhenish Advisory Council, which should in a general way further the Rhenish program. The utter depreciation of the paper mark, the results of which were especially felt in the Rhineland and which threatened the people with hunger, led us to desire the immediate creation of a Rhenish currency, and this program was urged at the great popular assembly in the summer of 1923. The success of this

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assembly was so great that Prussia decided on brutal measures. On orders from Berlin, the largest of these assemblies—that in Düsseldorf, which brought 20,000 people together in an open square—was broken up with bloodshed by Prussian "police" under the very eyes of the French occupation authorities. Hemming in the defenseless crowd, the soldiery opened fire with automatic pistols, killing six and wounding two hundred.

We should nevertheless have succeeded in carrying through our program peacefully had not undesirable elements—obviously at the instigation of *agents provocateurs*—begun to take violent measures. But I am unable at present to deal more explicitly with these and subsequent events without endangering the general political situation.

On October 21, 1923, the Separatist Deckers, unhindered by the authorities of the Belgian occupation, seized the public buildings of Aachen. The adherents of Smeets and Matthes followed him next day, and within a short time such important centers as Krefeld, München-Gladbach, and Duisburg, all within the Belgian zone, were in Separatist hands. But when the movement began to extend to the South, and we were compelled to strike in and take over the leadership in order to keep out the undesirables, the old game began anew. The Belgian authorities suddenly altered their position and compelled the Separatists to withdraw from the Belgian zone. The English supported the Prussian authorities in the arrest and prosecution of the Separatists in the English zone, in spite of the fact that there had been no activity there.

Deckers and Matthes thereupon withdrew to Coblenz from Aachen, and what they did was to so little purpose that I made up my mind to take a hand personally. Summoning my collaborators to Bad-Ems, I established there a "Temporary Administration" whose activities were primarily directed to preventing the evil consequences of this mismanagement. In a short time we had succeeded in restoring order and in raising the standing of the movement to such a degree that Oberbürgermeister Adenauer thought the time had again come for him to assert himself. Although somewhat doubtful of Adenauer's good faith, I declared that I and my friends were ready to hand over the leadership to him. His collaborator, the banker Louis Hagen, was ready to set up a Rhenish state bank and a Rhenish currency as a necessary basis for the new state, when Berlin

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declared her desire to satisfy the demands of the Allies and to "save" the Rhineland for herself. An understanding among the occupation authorities led to arrangements for the complete liquidation of such measures as had been taken by the Rhenish movement. My activity was over. My inclination to share in political affairs was ended. I withdrew.

Efforts by Separatists in the Palatinate to set up a state of their own came to nothing, after the assassination of their leader, Heinz, because of their inefficient organization. After the blood-bath at Pirmasens—the work of Prussian bands from outside the occupied territory—an English authority was entrusted with the final verdict on the movement's fate, although it was in the French occupied area. The episode thus came to an end.

The fact that my Fatherland has been an object of contention between Berlin, London and Paris, and that they can find no better solution than an embarrassed kind of international compromise, is not to my mind decisive. I shall never cease to hope that the final word as to their fate will be left to the Rhinelanders themselves, whose voice has never yet been heard. One can hardly expect a people who have reached such a level of cultural and economic development as theirs, a people who proudly name a Goethe and a Beethoven as their own, and whose industry ranks among the first in the world, to allow their future to be decided by a group of European and extra-European states or to wax enthusiastic over an international police force on the Macedonian-Persian model! It is certainly a poor way of guaranteeing European stability.

The birth of world peace can take place only on the Rhine and only as guaranteed by the Rhinelanders. The disturber of peace upon the Rhine is Prussia. War is her national industry, and it is she who forces the German people, who are naturally peace-loving, ever anew to "appeal to the sword." We Rhinelanders are Germans, but we are not Prussians. Take Prussia off the Rhine and you will see that a Germany freed from Prussian leadership is quite capable of coming to a lasting understanding with France.

In domestic politics the creation of a true league of German states, and in foreign politics the creation of an agreement with France—two ways to the ultimate goal of a United States of Europe—this is the program of the real Rhenish movement.

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PROBLEMS OF FOREIGN CAPITAL IN CHINA

By J. V. A. MacMurray

AMONG the economically less-advanced areas of the world, China is peculiar in that it is not a new country awaiting the beginnings of an ordered civilization, like much of the African and South American continents; it is a country of dense population, not only with a distinctive culture and a high degree of social organization, but already possessing a very considerable industrial, commercial, and financial development of its own. Industrial enterprises, therefore, and more especially the modern means of communication such as railways and steam shipping, find in China a field already plowed and harrowed for the sowing. Once built with honesty, and operated with even a minimum of efficiency, a railroad in China pays for itself almost from the beginning. Its course lies through a region already under intensive cultivation, and through towns which immemorially have possessed local industries, whose opportunity for expansion has hitherto been limited by the enormous transportation costs incident to the old methods of conveyance by donkey, by camel, or by wheelbarrow; and within reach of it dwells a population more densely settled than in any region of the world, except perhaps some portions of northwestern Europe. A railway in China has not, therefore, to develop the country which it is to serve and from which it is thereafter to derive its revenue. The economic problem which it presents is rather one of adjustment and development, which takes place automatically as between the industries and the markets of the region which has been awaiting this quicker and cheaper means for the disposal of its products.

China is also peculiar among the economically less-advanced areas of the world in that its development through foreign capital has been undertaken, not by the nationals of any single power, but by various nationalities simultaneously—some of them inspired by political at least as much as by economic motives. Among these powers the Chinese Government has intrigued, playing off one foreign influence against another, and offsetting concessions to one set of interests by "compensations" to other interests. This has resulted in a haphazard development, neither continuous nor consistent, often ignoring economic necessities in

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favor of considerations of immediate political expediency. It has, moreover, had other results more positively dangerous alike to Chinese interests and to the interests of the foreign investing nations. It has from time to time resulted in acute international rivalries which have in turn led to an accentuation of particularistic and exclusive designs, such as have found expression in the various claims to so-called "spheres of interest," or, as they are sometimes designated, "spheres of influence." Under these conditions, economic and political motives have interacted one upon the other, and have become blended and confused to an extent that is perhaps not equaled elsewhere in the world.

As has been said: "Financial, economic, and industrial concessions have been made the objects of international policies; such advantages have been sought by governments—both directly, in the form of general conventional stipulations, and indirectly, in the form of special grants to particular banks or industrial organizations—through all the means available to one state in its intercourse with another; the holders of such concessions have often spoken with the voice of their governments in insisting upon their own construction of the rights granted to them; and such commitments to individuals of one nationality, even when left unutilized and allowed to lapse by the terms of the concessions, have now and again been claimed as a basis of protest against a grant to the nationals of any other country. The result of this merging of individual with governmental interests has been that matters which would elsewhere be of merely commercial character, susceptible of judicial determination in case of dispute, are in China matters of international political concern, for the settlement of which the ultimate recourse is to diplomatic action. It is thus in a sense true that the international status of the Chinese Government is determined and conditioned by its business contracts with individual foreign firms or syndicates, scarcely, if at all, less than by its formal treaties with other governments."

It would be unfair, however, to convey the impression that the reliance of China upon foreign private capital is intrinsically bad or harmful to Chinese interests. Harm has indeed been done to the interests both of China and of the other powers in certain cases in which nations ambitious of political advantage, or of exclusive economic position, have insisted upon an admixture of uneconomic elements designed to serve ulterior ends.

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This is, of course, most marked in cases involving encroachments upon the territorial or administrative integrity of China, or upon the principle of the open door or equality of economic opportunity for all nations in China. It has been exemplified particularly in connection with certain railway lines constructed by nominally private enterprise—enterprise, however, which was in fact a disguised agency of government, assuming to exercise within Chinese territory the administrative and fiscal functions of a government, and insisting upon a fantastic reverence for the sacredness of its property rights. Along their right-of-way such railway companies have assumed to nullify the treaty rights of foreign residents in China, to assume jurisdiction over their persons and property, and to levy taxes upon them; and the railway right-of-way has been treated as so far identified with the national territory of the foreign company that roads could not be built across it, nor could Chinese troops in hot pursuit of bandits be permitted to trespass upon the line even for the purpose of putting down lawlessness. But these are instances not of the harmfulness of private financial enterprise in itself, but of the perversions which have from time to time occurred in consequence of the desire of governments to use business enterprises as pretexts for political penetration.

In those cases in which foreign economic developments in China have been left free of political designs, however, and allowed to develop with a sole view to the security of the bondholders and the success of the enterprise, the record is on the whole one which China is not warranted in resenting, and in which the operations of international finance appear in a favorable light. Even where the safeguards have involved a degree of foreign supervision over Chinese revenues (so as "to touch very nearly the administrative independence of China," as it was put by President Wilson in the public announcement of withdrawal of support from the American group of the Consortium, in 1913), it must in fairness be admitted that the arrangements of this sort actually made up to the present time have more than justified themselves by the inestimable service which they have rendered to the Chinese Government. One has but to point to the international services established in connection with the Maritime Customs and the Salt Revenues.

The Customs service, as is well known, had long ago grown up as a result of historical circumstances, under the organizing

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genius of Sir Robert Hart; but in connection with the Anglo-German loans of 1896 and 1898, made for the purpose of paying the Chinese indemnities to Japan after the war of 1894–95, it was stipulated that the system of foreign supervision over the administration of the Customs should remain unaltered during the life of these loans, which were charged upon the Customs revenues; and the provisions of these loan contracts, therefore, constitute the basic agreement with regard to the continuance of the present system of international supervision over the Customs administration. In 1913 a similar service, of an international character, was provided for by the terms of the Reorganization Loan, in connection with the security of that loan upon the revenues of the Salt Gabelle. Both of these organizations have rendered to the Chinese Government loyal and efficient service of which they may well be proud, and which has won for them in an extraordinary degree the confidence of the Chinese people.

In a brief review of the operations of private financial enterprise in China, it is possible to deal only with a few of those aspects of the problem which are fundamental and peculiar to the case of China. This paper will therefore confine itself almost exclusively to the question of railways, making only incidental reference to the important series of administrative loans by which China was enabled to meet the indemnities imposed upon her as a result of the war with Japan, and by which after the revolution of 1911 she was supplied with the means of organizing and consolidating the new Republican Government. It will be necessary to leave almost without comment the activities of the original Consortium—a combination of American, English, French, German, Japanese, and Russian banking interests—which in 1910 and the following years took so momentous a part in establishing international financial coöperation in China, but which dealt solely with administrative rather than with industrial financing.

From the time, thirty years ago, when China first had recourse to foreign capital to aid in her internal development, there has grown up a sharp though somewhat artificial distinction between loans for the general purposes of the Government, conveniently designated as administrative loans, and those devoted to industrial developments undertaken by the Government—these so-called industrial loans being in practically every case for the purpose of railway construction.

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The building of railways was a task for which neither the Chinese Government nor the Chinese people were competent by training or tradition. They lacked the necessary technical education and experience, and were not familiar with the kind of coöperation on a considerable scale which is necessary for public works or corporate undertakings. Without undue reflection upon the Chinese people, it may be recalled that their standards of public or corporate responsibilities as trustees have never been developed, as in the case of Western nations. For reasons peculiar to their social and political fabric, the Chinese have developed standards different from our own—in some respects more punctilious than those of Western peoples, but involving none of that regard for the sacredness of a trust which is so conspicuous in the legal and moral concepts of the Occident. To risk a generalization so broad that it must necessarily be at least partly faulty, one might say that the Chinese are singularly conscientious about the obligations of a debt, but equally unresponsive to the obligations of a trust. This has been evident in such corporate activities as the Chinese have undertaken during the past generation. Directors of corporations have not felt any inhibition upon their borrowing corporate funds for the purpose of speculation, in stocks or in exchange, for their personal profit. It has resulted that Chinese corporations have frequently ended in bankruptcy through some fluctuation in shares with which the corporation itself was in no wise concerned.

As the result of these and other handicaps, Chinese financiers have never yet succeeded in building a railway; and the failure of the effort in the case of the province of Szechwan railway was so conspicuous and so disappointing that it constituted one of the causes which brought on the Chinese revolution in 1911. Nor has the Chinese Government itself ever built more than a few odd miles of railway, except in the case of the Peking-Kalgan line, which was indeed a fine technical accomplishment and a successful enterprise, but which during the past few years has been made the sport of political and personal ambitions, until at present it has lost its original independence of foreign influence and has become almost irretrievably burdened with debts.

Apart from certain more or less experimental efforts, the first railway concessions in China were in the strict sense of the word "concessions." They involved the grant, to foreign interests, of the right to build and exploit railways in Chinese territory as

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foreign enterprises independent of the Chinese Government. To this group belong the Chinese Eastern Railway (the Russian Government's agency of penetration in Manchuria), the German railway in Shantung, and the French railway in Yunnan. These railways, however, are examples of what was in fact a governmental activity, rather than of the use of private capital; and they were possible of development only in connection with adjacent territorial possessions, of which they served as extensions.

In regions more remote from foreign territorial possessions there was an opportunity for the development of a type of contract which has become known as the underwriting contract or bankers' contract. This type of contract provides for a loan to be floated in the foreign money markets by the bankers as underwriters. The bankers then have the railway built for the Chinese Government; they choose the engineer themselves, as also the auditor to supervise the expenditures. In the earlier contracts of this type, the loan was secured upon the railway itself, and under the guise of joint foreign and Chinese supervision the bankers in fact retained what was an effective control of the operation of the railway. But, beginning with the Anglo-German contract for the Tientsin-Pukow Railway, in 1908, this type of contract has been modified by omitting the mortgage upon the railway, and by relaxing foreign supervision in engineering and auditing after the line has been built. With many variations in detail, this is the general basis upon which the railways in China have been built by foreign private capital.

Without attempting too detailed an analysis, it may be pointed out that the essential elements of foreign supervision, alike over construction and operation of railroads of this type, are embodied in these so-called "engineering rights" (the right of the bankers to have the road constructed under the direction of an engineer nominated by them), and "auditing rights" (the control of expenditure, during construction, by a financial representative of the bankers). Closely connected with the "engineering rights" is the question of a preference for materials and equipment manufactured by firms of the same nationality as the bankers. In many of the contracts of this type, provision is made for the establishment of a purchasing agency, which, for a fixed commission, is to purchase all material required for the construction and operation of the line. In practice this has usually meant that all material for the road was purchased from

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a firm affiliated with the lending bank. Even where no such provision exists, however, it generally works out in practice that the necessary material for the road is supplied by the industry of the country which furnished the money and which nominated the engineer-in-chief. The tendency presents a real difficulty only in cases where several nationalities have coöperated in the building of a line. An attempt to obviate this difficulty was made in the case of the Hukuang Railways, in the construction of which American, British, French, and German capital participated. Sections were allotted to the several nationalities, but the contract provided for an "impartial preference," on all the sections, for the materials of all the lending nationalities. It was assumed that free competition among the manufacturers of the four interested countries would obviate any disposition on the part of the various section engineers to favor materials of their own nationality. But the theory found in human nature an obstacle to its successful realization. The whole training of an American engineer makes him look askance at the rigid type of locomotive suitable to English railways, which in his opinion are wholly impracticable for such pioneer lines as are required today in China; and he regards as a mere extravagance the eternally substantial British type of bridges, with their rivet-holes individually drilled by hand. The British engineer, on the other hand, trained in the practice of a country where the railroad system has long ago ceased to cover new territory and devoted to the perfection of the existing system, regards with complete contempt what he considers the jerry-built rolling-stock and bridge work of his American colleague. Here is an honest difference of views which presents one of the most difficult of the problems incident to international financial coöperation in railway development in China.

It is difficult for us to realize the extent to which the construction of a railway in China constitutes a new focus for the whole economic life of the area traversed. In the present rudimentary stage of the country's railroad development there is almost nowhere any competition by rail or by water. The construction of a new line gives an outlet for industries which theretofore had never dreamed of being more than merely local. Inevitably, the whole economic and commercial organization of the district crystallizes around the new line. Districts that were formerly as remote from each other as China is from us, suddenly have rapid

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inter-communication. And this new facility, for conference and for the despatch of troops and supplies, brings the government and the people into closer, though not always more harmonious, contact than was possible before.

It is not strange that these wonder-working lines of steel rails, which were to so large an extent subject to the control of one or another foreign interest, became each the nucleus of an influence which was both economic and political. They became, in fact, the primary means of economic and political penetration of China by the several powers; and each became, at least potentially, the basis for the assertion of a sphere of influence and for consequent claims to "special interests" and a particularly favored position. Such claims were at times asserted consciously, with a deliberate implication that the property interests involved were such as required for their protection the acknowledgment of privileges superior to the governmental rights of China and to the treaty rights of third parties. There have also been occasions where the foreign control of railways, without actually asserting any superior rights, has nevertheless resulted in practical trade advantages to citizens of a given nationality, as against all others. These discriminations have seldom been so pronounced as to present a concrete issue. More often they have taken the form of through traffic arrangements which were in practise available only to shippers of a particular nationality, and of technical formalities in regard to applications for cars, customs declarations, way-billing arrangements, and the like. Frequently these discriminations have been the result not of deliberate policy, but of an attitude of self-conscious nationalism on the part of subordinate employees who regarded with interest and zeal the consignments covered by documents in their own language. But whether one considers these practises as warranted or unwarranted, the result was that railway lines came to be identified with claims to spheres of interest where, as the years went by, the trade and enterprise of third countries found themselves more and more excluded, and in which more and more definite claims to paramountcy or predominance of influence were asserted in behalf of the nationalities originally concerned.

It was in the attempt to remove these tendencies towards national discrimination that Secretary Knox in 1909 proposed his plan for the so-called neutralization of railways in Manchuria. The plan provided that the interested countries—including

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Russia and Japan, which possessed railways in that region, and the United States and Great Britain, whose nationals held contracts for railway construction there—should pool their interests with a view to establishing a single system of railways to be operated by an international syndicate. In the light of what is now known regarding the arrangements existing among the powers at that time, it is evident that this plan never had any prospects of success. It was in fact supported only by Germany, which, like ourselves, was an outsider to the arrangements by which France, Great Britain, Japan, and Russia had arrived at a mutual accommodation of their respective interests in Asia.

Even in its failure, however, the Knox proposal gave an impetus towards international coöperation among the powers most interested in questions of Chinese finance. So far as concerned railways, this coöperation found expression only in the joint financing of the Hukuang Railways by capital from the United States, Britain, France, and Germany. For the purpose of administrative loans, however, the bankers of these four countries and of Japan and Russia associated themselves, in 1909, in what has become known as the Consortium. The American group dropped out in 1913; but the remaining five Powers went on with the flotation of the Reorganization Loan, which marks an epoch of progress in that it caused the development of the Salt Gabelle, a producer of revenue almost as dependable as the Customs. The Consortium did not attempt to deal with industrial loans, however, and therefore failed to contribute anything towards the solution of the problem created by the railways as agencies of economic and political penetration. The difficulties of this problem became accentuated with the passage of time, until in 1917, when an American firm obtained contracts for the construction of a number of lines in different parts of China, it met with protests from Russia against its building of a line northward and westward into Mongolia, from France against its building of a line southward into Kwangsi, and from Great Britain against its building of a line from the lower Yangtsze basin westward into Szechwan. In each case the American projects were held to conflict either with a general superiority of rights in the region in question or with the particular privileges of a corporation which claimed that the new line would be in effect an extension of a railway which it had contracted to build. It is not to be wondered at that the Ameri-

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can contractor in question, in the course of a conversation in which certain of the opposing interests pointed out to him the extent of their several spheres of interest, scrutinized the map with some puzzlement and finally asked, "Then where in hell is China?" The crux of the whole difficulty appears in the fact that in each case the Chinese Government, which had selected these lines for development by the American company, actually asked the contractor to forego work on them, in the hope that later opportunities for his enterprise might be found which would not raise an issue with the claims of other nationalities.

This was one of the conditions which the American Government had in view when, in 1920, it proposed to the British, French, and Japanese Governments that the Consortium should be reconstituted, or rather that there should be formed a new Consortium, which should deal not only with administrative loans but with loans for such industrial enterprises as railways in China. It was proposed that the several national groups should pool into the common resources of the new Consortium such rights as they possessed with regard to the construction of railways and similar enterprises. For a time, there was determined opposition to this proposal on the part of the Japanese Government, which declared itself unwilling to authorize its nationals to enter into this form of international coöperation unless Manchuria and the adjacent portion of Mongolia were excluded from the activities of the new Consortium. The ensuing consultations among the interested governments involved a consideration of Japan's claim to special interests in the area in question; but in the end, when it had been made clear to Japan that the proposal did not contemplate the surrender to the Consortium of vested interests in railways which were already in operation as going concerns, the Japanese Government gave its consent to the participation of its bankers in the new Consortium, the understanding being that each national group, while retaining its individual rights with respect to all railways actually constructed or which had made substantial progress towards completion, should pool all of its contracts for enterprises which had not yet been seriously taken in hand. The new Consortium thus furnishes a means by which future railway construction in China may be made a matter of general international concern, and divorced from particular political pretensions.

The Chinese Government has not yet seen fit to avail itself of

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the facilities offered by the new Consortium. But if and when the Chinese are ready to deal with it, it will be in a position to make the requisite funds available for them under conditions far less dangerous or subversive to Chinese sovereignty than those effective in the past. Not only will any railway so constructed be purged of implications that it is the basis of a claim to a sphere of influence, but the very fact of its construction under these auspices will negative any such claim heretofore asserted in that region. In the meantime, the mere fact of the Consortium's existence as the result of an agreement for international financial coöperation has been of real service in arresting the tendency of railway contracts to establish rights partaking of the nature of a protectorate.

Closely related to this question is that phase of the work of the Washington Conference on the Limitation of Armaments which dealt with the principles and policies to be adopted by the participating powers in their relations with China. Most of the decisions of the Conference in this regard were embodied in one of the treaties concluded on February 6, 1922. That treaty is not yet technically in force, as it awaits the ratification of France; but the principles which it incorporates have been adopted and followed by all the interested governments as fully and as punctiliously as though the treaty had in fact become the law of the land for all the participating powers. Perhaps, then, while we are awaiting the ratification of France (which it is to be assumed will in due course be given) even the strict legal constructionist will pardon a reference to that treaty as though it had actually entered into force. The treaty not only accepts the mutually dependent principles of the open door and the integrity of China —formulas which, like a worn coin, had lost all distinguishing marks—but it also makes precise provisions for certain applications of these doctrines; it expressly discountenances claims to spheres of influence; and it gives to the doctrine of the open door, or equality of economic opportunity in China, a definition more precise and more far-reaching than has ever hitherto been attempted. In connection with the treaty, the Conference adopted a resolution which should go a great way towards clearing away the atmosphere of secret intrigue which has so often surrounded foreign enterprise in China, by providing for the practically immediate publication of all contracts for concessions from the Chinese Government or from the provinces.

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With the Consortium available as a means of international coöperation, and with the open door principle of fair play accepted and defined by mutual agreement, the way is open for a healthy and normal development of the resources and opportunities of China through the participation of foreign capital on a genuinely economic basis, to the advantage of China at least as much as to the profit of foreign investors. It is to be hoped that we are on the eve of an economic development which will take account of the fact that a fair bargain is profitable to both parties, and that no nationality need strive to establish exclusive claims through fear that it must suffer loss in consequence of another's gain. We know that the wealth of China, particularly in mineral resources, has been exaggerated to the point of fable, but it may well be doubted whether, in our dreams of a Chinese Eldorado, we have ever adequately realized the more substantial, because inexhaustible, wealth that lies not in the soil of China, but in the industry, the intelligence, and the fine character of the Chinese people. These are resources which are capable of an incalculable wealth-making power. China, for its own good no less than for the good of those who look forward to supplying its growing market with their commodities, is destined to provide opportunities such that no nationality need have occasion to grudge what falls to another for development.

At present the obstacle to such a development is the prevailing political chaos in China, and the accompanying disintegration of administrative authority. This is doubtless a crisis through which China is compelled to pass as a result of the political and social traditions formed by her people during the longest coherent history of any nation now extant. One may feel discouraged that the end of this period of disorganization is not yet in sight. But no one familiar with the fine qualities of the Chinese people can doubt that there will eventually be a reintegration of their national life. When that time comes, China will inevitably pattern herself more and more closely after our Western world, and of course largely through the means provided by foreign capital. The way in which foreign capital meets its responsibilities in serving the ends of the new China will, more than any other factor, determine the solution of that greatest of all problems confronting mankind—the relationship that is to exist between the civilizations of the East and the West.

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WORLDS OF COLOR

By W. E. B. DuBois

ONCE upon a time in my younger years and in the dawn of this century I wrote: "The problem of the Twentieth Century is the problem of the color line." It was a pert phrase which I then liked and which since I have often rehearsed to myself, asking how far was it prophecy and how far speculation? Today, in the last year of the century's first quarter, I propose to examine this matter again, and more especially in the memory of the great event of these great years, the World War. How deep were the roots of this catastrophe entwined about the color line? And of the legacy left, what of the darker race problems will the world inherit?

THE LABOR PROBLEM

Most men would agree that our present Problem of Problems is what we call Labor: the problem of allocating work and income in the tremendous and increasingly intricate world-embracing industrial machine which we have built. But, despite our study and good-will, is it not possible that our research is not directed to the right geographical spots and our good-will too often confined to that labor which we see and feel and exercise right around us rather than to the periphery of the vast circle and to the unseen and inarticulate workers within the World Shadow? And may not the continual baffling of our effort and failure of our formula be due to just such mistakes? At least it will be of interest to step within these shadows and, looking backward, view the European and white American labor problem from this external vantage ground—or, better, ground of disadvantage.

With nearly every great European empire today walks its dark colonial shadow, while over all Europe there stretches the yellow shadow of Asia that lies across the world. One might indeed rede the riddle of Europe by making its present plight a matter of colonial shadows and speculate wisely on what might not happen if Europe became suddenly shadowless—if Asia and Africa and the islands were cut permanently away. At any rate here is a field of inquiry, of likening and contrasting each land and its far off shadow.

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THE SHADOW OF PORTUGAL

I was attending the Third Pan-African Congress and I walked to the Palacio dos Cortes with Magellan. It was in December, 1923, and in Lisbon. I was rather proud. You see Magalhaes (to give him the Portuguese spelling) is a mulatto—small, light-brown and his hands quick with gestures. Dr. José de Magalhaes is a busy man: a practising specialist; professor in the School of Tropical Medicine whose new buildings are rising; and above all, deputy in the Portuguese Parliament from São Thomé, Africa. Thus this Angolese African, educated in Lisbon and Paris, is one of the nine colored members of European Parliaments. Portugal has had colored ministers and now has three colored deputies and a senator. I saw two Portuguese in succession kissing one colored member on the floor of the house. Or was he but a dark native? There is so much ancient black blood in this peninsula.

Between the Portuguese and the African and near African there is naturally no "racial" antipathy—no accumulated historical hatreds, dislikes, despisings. Not that you would likely find a black man married to a Portuguese of family and wealth, but on the other hand it seemed quite natural for Portugal to make all the blacks of her African empire citizens of Portugal with the rights of the European born.

Magalhaes and another represent São Thomé. They are elected by black folk independent of party. Again and again I meet black folk from São Thomé—young students, well-dressed, well-bred, evidently sons of well-to-do if not wealthy parents, studying in Portugal, which harbors annually a hundred such black students.

São Thomé illustrates some phases of European imperialism in Africa. This industrial rule involves cheap land and labor in Africa and large manufacturing capital in Europe, with a resultant opportunity for the exercise of pressure from home investors and the press. Once in a while—not often—a feud between the capitalists and the manufacturers at home throws sudden light on Africa. For instance, in the Boer War the "cocoa press" backed by the anti-war Liberals attacked the Unionists and exposed labor conditions in South Africa. In retaliation, after the war and when the Liberals were in power, the Unionists attacked labor conditions in the Portuguese cocoa colonies.

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For a long time the cocoa industry flourished on the islands of São Thomé and Principe, on large plantations run by Portuguese and backed by English capital. Here under a system of labor recruiting and indentures which amounted to slavery these little islands led the world in cocoa production and here was the basis of the great English and American cocoa industry. When this system was attacked there immediately arose the situation which is characteristic of modern industrial imperialism and differentiates it from past imperialism. Modern expansion has to use democracy at home as its central authority. This democracy is strangely curbed by industrial organization but it does help select officials, and public opinion, once aroused, rules. Thus with a democratic face at home modern imperialism turns a visage of stern and unyielding autocracy toward its darker colonies. This double-faced attitude is difficult to maintain and puts hard strain on the national soul that tries it.

In England the attack of the Unionists on the Liberals and the "cocoa press," proving slavery on the São Thomé plantations, led to a demand for drastic labor reform in Portuguese Africa. Now the profits of the great Portuguese plantation owners could not afford this nor could they understand this sudden virtue on the part of capitalists who had known all along how labor was "recruited." They charged "hypocrisy," not understanding that English capitalists had an inconvenient democracy at home that often cracked its whip over them. The cocoa industry was forced by public opinion to boycott Portguese cocoa; the great Portuguese proprietors were forced to give place to smaller Negro and mulatto cultivators who could afford smaller profits. At the same time the center of cocoa raising crossed the straits and seated itself in the English colonies of the Gold Coast and Nigeria, formerly the ancient kingdoms of Ashanti, Yoruba, Haussaland and others. Thus in this part of Portuguese Africa the worst aspects of slavery melted away and colonial proprietors with smaller holdings could afford to compete with the great planters; wherefore democracy, both industrially and politically, took new life in black Portugal. Intelligent black deputies appeared in the Portuguese parliaments, a hundred black students studied in the Portuguese universities and a new colonial code made black men citizens of Portugal with full rights.

But in Portugal, alas! no adequate democratic control has

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been established, nor can it be established with an illiteracy of 75 percent; so that while the colonial code is liberally worded and economic power has brought some freedom in São Thomé, unrestrained Portuguese and English capital rules in parts of Angola and in Portuguese East Africa, where no resisting public opinion in England has yet been aroused.

The African shadows of Spain and Italy are but drafts on some imperial future not yet realized, and touch home industry and democracy only through the war budget. As Spain is pouring treasure into a future Spanish Morocco, so Italy has already poured out fabulous sums in the attempt to annex north and northeast Africa, especially Abyssinia. The prince who yesterday visited Europe is the first adult successor of that black Menelik who humbled Italy to the dust at Adowa in 1896.

Insurgent Morocco and dependent Egypt, independent Abyssinia and Liberia are, as it were, shadows of Europe on Africa, unattached, and as such they curiously threaten the whole imperial program. On the one hand they arouse democratic sympathy in home lands which makes it difficult to submerge them; and again they are temptations to agitation for freedom and autonomy on the part of other black and subject populations.

THE SHADOW OF BELGIUM

There is a little black man in Belgium whose name is Mfumu Paul Panda. He is filled with a certain resentment against me and American Negroes. He writes me now and then but fairly spits his letters at me and they are always filled with some defense of Belgium in Africa or rather with some accusation against England, France and Portugal there. I do not blame Panda although I do not agree with his reasoning. Unwittingly, the summer before last, I tore his soul in two. His reason knows that I am right but his heart denies his reason. He was nephew and therefore by African custom heir of a great chief who for thirty years, back to the time of Stanley, has coöperated with white Belgium. As a child of five young Panda was brought home from the Belgian Congo by a Belgian official and given to that official's maiden sister. This sister reared the little black boy as her own, nursed him, dressed him, schooled him, and defended against the criticism of her friends his right to university training. She was his mother, his friend. He loved her and revered her. She guided and loved him. When the second

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Pan-African Congress came to Brussels it found Panda leader of the small black colony there and spokesman for black Belgium. He had revisited the Congo and was full of plans for reform. And he thought of the uplift of his black compatriots in terms of reform. All this the Pan-African Congress changed. First it brought on his head a storm of unmerited abuse from the industrial press: we were enemies of Belgium; we were pensioners of the Bolshevists; we were partisans of England. Panda hotly defended us until he heard our speeches and read our resolutions.

The Pan-African Congress revealed itself to him with a new and unexplicable program. It talked of Africans as intelligent, thinking, self-directing and voting men. It envisaged an Africa for the Africans and governed by and for Africans and it arraigned white Europe, including Belgium, for nameless and deliberate wrong in Africa. Panda was perplexed and astonished; and then his white friends and white mother rushed to the defense of Belgium and blamed him for consorting with persons with ideas so dangerous and unfair to Belgium. He turned upon us black folk in complaining wrath. He felt in a sense deceived and betrayed. He considered us foolishly radical. Belgium was not perfect but was far less blood guilty than other European powers. Panda continues to send me clippings and facts to prove this.

In this last matter he is in a sense right. England and France and Germany deliberately laid their shadow across Africa. Belgium had Africa thrust upon her. Bismarck intended the Congo Free State for Germany and he cynically made vain and foolish Leopold temporary custodian; and even after Bismarck's fall Germany dreamed of an Africa which should include the Congo, half the Portuguese territory and all the French, making Germany the great and dominant African power. For this she fought the Great War.

Meantime, and slowly, Belgium became dazzled by the dream of empire. Africa is but a small part of Britain; Africa is but a half of larger France. But the Congo is eighty-two times the size of little Belgium, and at Tervurien wily Leopold laid a magic mirror—an intriguing flash of light, set like a museum in rare beauty and approached by magnificent vistas—a flash of revealing knowledge such as no other modern land possesses of its colonial possessions. The rank and file of the Belgians were

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impressed. They dreamed of wealth and glory. They received the Congo from Leopold as a royal gift—shyly, but with secret pride. What nation of the world had so wonderful a colony! And Belgium started to plan its development.

Meantime the same power that exploited the Congo and made red rubber under Leopold—these same great merchants and bankers—still ruled and guided the vast territory. Moreover Belgium, impoverished by war and conquest, needed revenue as never before. The only difference, then, between the new Congo and the old was that a Belgian liberal public opinion had a right to ask questions and must be informed. Propaganda intimating that this criticism of Belgium was mainly international jealousy and that the exploitation of black Belgium would eventually lower taxes for the whites was nearly enough to leave the old taskmasters and methods in control in spite of wide plans for eventual education and reform.

I remember my interview with the socialist Minister for Colonies. He hesitated to talk with me. He knew what socialism had promised the worker and what it was unable to do for the African worker, but he told me his plans for education and uplift. They were fine plans, but they remain plans even today and the Belgian Congo is still a land of silence and ignorance, with few schools, with forced industry, with all the land and natural resources taken from the people and handed over to the State, and the State, so far as the Congo is concerned, ruled well-nigh absolutely by profitable industry. Thus the African shadow of Belgium gravely and dangerously overshadows that little land.

THE SHADOW OF FRANCE

I know two black men in France. One is Candace, black West Indian deputy, an out-and-out defender of the nation and more French than the French. The other is René Maran, black Goncourt prize-man and author of "Batouala." Maran's attack on France and on the black French deputy from Senegal has gone into the courts and marks an era. Never before have Negroes criticized the work of the French in Africa.

France's attitude toward black and colored folk is peculiar. England knows Negroes chiefly as colonial "natives" or as occasional curiosities on London streets. America knows Negroes mainly as freedmen and servants. But for nearly two

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centuries France has known educated and well-bred persons of Negro descent; they filtered in from the French West Indies, sons and relatives of French families and recognized as such under the Code Napoleon, while under English law similar folk were but nameless bastards. All the great French schools have had black students here and there; the professions have known many and the fine arts a few scattered over decades; but all this was enough to make it impossible to say in France as elsewhere that Negroes cannot be educated. That is an absurd statement to a Frenchman. It was not that the French loved or hated Negroes as such; they simply grew to regard them as men with the possibilities and shortcomings of men, added to an unusual natural personal appearance.

Then came the war and France needed black men. She recruited them by every method, by appeal, by deceit, by half-concealed force. She threw them ruthlessly into horrible slaughter. She made them "shock" troops. They walked from the tall palms of Guinea and looked into the mouths of Krupp guns without hesitation, with scarcely a tremor. France watched them offer the blood sacrifice for their adopted motherland with splendid *sang-froid*, often with utter abandon.

But for Black Africa Germany would have overwhelmed France before American help was in sight. A tremendous wave of sentiment toward black folk welled up in the French heart. And back of this sentiment came fear for the future, not simply fear of Germany reborn but fear of changing English interests, fear of unstable America. What Africa did for France in military protection she could easily repeat on a vaster scale; wherefore France proposes to protect herself in future from military aggression by using half a million or more of trained troops from yellow, brown and black Africa. France has 40,000,000 Frenchmen and 60,000,000 Colonials. Of these Colonials, 845,000 served in France during the war, of whom 535,000 were soldiers and 310,000 in labor contingents. Of the soldiers, 440,000 came from north and west Africa. The peace footing of the French army is now 660,000, to whom must be added 189,000 Colonial troops. With three years service and seven years reserve, France hopes in ten years time to have 400,000 trained Colonial troops and 450,000 more ready to be trained. These Colonial troops will serve part of their time in France.

This program brings France face to face with the problem of

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democratic rule in her colonies. French industry has had wide experience in the manipulation of democracy at home but her colonial experience is negligible. Legally, of course, the colonies are part of France. Theoretically Colonials are French citizens and already the blacks of the French West Indies and the yellows and browns of North Africa are so recognized and represented in Parliament. Four towns of Senegal have similar representation; but beyond this matters hesitate.

All this, however, brings both political and economic difficulties. Diagne, black deputy from Senegal, was expelled from the Socialist Party because he had made no attempt to organize a branch of the party in his district. And the whole colonial bloc stand outside the interests of home political parties, while these parties know little of the particular demands of local colonies. As this situation develops there will come the question of the practicability of ruling a world nation with one law-making body. And if devolution of power takes place what will be the relation of self-governing colonies to the mother country?

But beyond this more or less nebulous theory looms the immediately practical problem of French industry. The French nation and French private industry have invested huge sums in African colonies, considering black Africa alone. Dakar is a modern city superimposed on a native market-place. Its public buildings, its vast harbor, its traffic are imposing. Conakry has miles of warehouses beneath its beautiful palms. No European country is so rapidly extending its African railways—one may ride from St. Louis over half way to Timbuktu and from Dakar 1,500 miles to the Gulf of Guinea.

The question is, then, is France able to make her colonies paying industrial investments and at the same time centers for such a new birth of Negro civilization and freedom as will attach to France the mass of black folk in unswerving loyalty and will to sacrifice. Such a double possibility is today by no means clear. French industry is fighting today a terrific battle in Europe for the hegemony of reborn Central Europe. The present probabilities are that the future spread of the industrial imperialism of the West will be largely under French leadership. French and Latin imperialism in industry will depend on alliance with western Asia and northern and central Africa, with the Congo rather than the Mediterranean as the southern boundary.

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Suppose that this new Latin imperialism emerging from the Great War developed a new antithesis to English imperialism where blacks and browns and yellows, subdued, cajoled and governed by white men, form a laboring proletariat subject to a European white democracy which industry controls; suppose that, contrary to this, Latin Europe should evolve political control with black men and the Asiatics having a real voice in Colonial government, while both at home and in the colonies democracy in industry continued to progress; what would this cost? It would mean, of course, nothing less than the giving up of the idea of an exclusive White Man's World. It would be a revolt and a tremendous revolt against the solidarity of the West in opposition to the South and East. France moving along this line would perforce carry Italy, Portugal and Spain with it, and it is the fear of such a possible idea that explains the deep seated resentment against France on the part of England and America. It is not so much the attitude of France toward Germany that frightens white Europe, as her apparent flaunting of the white fetish. The plans of those who would build a world of white men have always assumed the ultimate acquiescence of the colored world in the face of their military power and industrial efficiency, because of the darker world's lack of unity and babel of tongues and wide cleft of religious difference. If now one part of the white world bids for dark support by gifts of at least partial manhood rights, the remainder of the white world scents treason and remains grim and unyielding in its heart. But is it certain that France is going to follow this program?

I walked through the native market at St. Louis in French Senegal—a busy, colorful scene. There was wonderful work in gold filigree and in leather, all kinds of beads and bracelets and fish and foods. Mohammedans salammed at sunset, black-veiled Moorish women glided like sombre ghosts with living eyes; mighty black men in pale burnooses strode by,—it was all curious, exotic, alluring. And yet I could not see quite the new thing that I was looking for. There was no color line particularly visible and yet there was all the raw material for it. Most of the white people were in command holding government office and getting large incomes. Most of the colored and black folk were laborers with small incomes. In the fashionable cafés you seldom saw colored folk, but you did see them now and then

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and no one seemed to object. There were schools, good schools, but they fell short of anything like universal education for the natives. White and colored school children ran and played together, but the great mass of children were not in school.

As I look more narrowly, what seemed to be happening was this: the white Frenchmen were exploiting black Africans in practically the same way as white Englishmen, but they had not yet erected or tried to erect caste lines. Consequently, into the ranks of the exploiters there arose continually black men and mulattoes, but these dark men were also exploiters. They had the psychology of the exploiters. They looked upon the mass of people as means of wealth. The mass therefore had no leadership. There was no one in the colony except the unrisen and undeveloped blacks who thought of the colony as developing and being developed for its own sake and for the sake of the mass of the people there. Everyone of intelligence thought that Senegal was being developed for the sake of France and inevitably they tended to measure its development by the amount of profit.

If this sort of thing goes on will not France find herself in the same profit-taking colonial industry as England? Indeed, unless she follows English methods in African colonies can she compete with England in the amount of profit made and if she does not make profit out of her colonies how long will her industrial masters submit without tremendous industrial returns? Or if these industrial returns come, what will be the plight of black French Africa? "Batouala" voices it. In the depths of the French Congo one finds the same exploitation of black folk as in the Belgian Congo or British West Africa. The only mitigation is that here and there in the Civil Service are black Frenchmen like René Maran who can speak out; but they seldom do.

For the most part, as I have said, in French Africa educated Africans are Europeans. But if education goes far and develops in Africa a change in this respect must come. For this France has a complete theoretical system of education beginning with the African village and going up to the colleges and technical schools at Goree. But at present it is, of course, only a plan and the merest skeleton of accomplishment. On the picturesque island of Goree whose ancient ramparts face modern and commercial Dakar I saw two or three hundred fine black boys of high school rank gathered in from all Senegal by com-

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petitive tests and taught thoroughly by excellent French teachers in accordance with a curriculum which, as far as it went, was equal to that of any European school; and graduates could enter the higher schools of France. A few hundred students out of a black population of nineteen millions is certainly but a start. This development will call for money and trained guidance and will interfere with industry. It is not likely that the path will be followed and followed fast unless black French leaders encourage and push France, unless they see the pitfalls of American and English race leadership and bring the black apostle to devote himself to race uplift not by the compulsion of outer hate but by the lure of inner vision.

As yet I see few signs of this. I have walked in Paris with Diagne who represents Senegal—all Senegal, white and black,—in the French parliament. But Diagne is a Frenchman who is accidentally black. I suspect Diagne rather despises his own black Wolofs. I have talked with Candace, black deputy of Guadaloupe. Candace is virulently French. He has no conception of Negro uplift, as apart from French development. One black deputy alone, Boisneuf of Martinique, has the vision. His voice rings in parliament. He made the American soldiers keep their hands off the Senegalese. He made the governor of Congo apologize and explain; he made Poincaré issue that extraordinary warning against American prejudice. Is Boisneuf an exception or a prophecy?

One looks on present France and her African shadow, then, as standing at the parting of tremendous ways; one way leads toward democracy for black as well as white—a thorny way made more difficult by the organized greed of the imperial profit-takers within and without the nation; the other road is the way of the white world, and of its contradictions and dangers English colonies may tell.

THE SHADOW OF ENGLAND

I landed in Sierra Leone last January. The great Mountain of the Lion crouched above us, its green sides trimmed with the pretty white villas of the whites, while black town sweltered below. Despite my diplomatic status I was haled before the police and in the same room where criminals were examined I was put through the sharpest grilling I ever met in a presumably civilized land. Why? I was a black American and the English

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fear black folk who have even tasted freedom. Everything that America has done crudely and shamelessly to suppress the Negro, England in Sierra Leone has done legally and suavely so that the Negroes themselves sometimes doubt the evidence of their own senses: segregation, disfranchisement, trial without jury, over-taxation, "Jim Crow" cars, neglect of education, economic serfdom. Yet all this can be and is technically denied. Segregation? "Oh no," says the colonial official, "anyone can live where he will—only that beautiful and cool side of the mountain with fine roads, golf and tennis and bungalows is assigned to government officials." Are there black officials? "Oh yes, and they can be assigned residences there, too." But they never have been. The Negroes vote and hold office in Freetown—I met the comely black and cultured mayor—but Freetown has almost no revenues and its powers have been gradually absorbed by the autocratic white colonial government which has five million dollars a year to spend. Any government prosecutor can abolish trial by jury in any case with the consent of the judge and all judges are white. White officials ride in special railway carriages and I am morally certain—I cannot prove it—that more is spent by the government on tennis and golf in the colony than on popular education.

These things, and powerful efforts of English industry to reap every penny of profit for England in colonial trade, leaving the black inhabitants in helpless serfdom, has aroused West Africa, and aroused it at this time because of two things—the war, and cocoa in Nigeria. The burden of war fell hard on black and British West Africa. Their troops conquered German Africa for England and France at bitter cost and helped hold back the Turk. Yet there was not a single black officer in the British army or a single real reward save citations and new and drastic taxation even on exports.

But British West Africa had certain advantages. After the decline of the slave trade and before the discovery that slavery and serfdom in Africa could be made to pay more than the removal of the laboring forces to other parts of the world, there was a disposition to give over to the natives the black colonies on the fever coast and the British Government announced the intention of gradually preparing West Africans for self-government. Missionary education and the sending of black students to England raised a small Negro intelligentsia which long struggled

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to place itself at the head of affairs. It had some success but lacked an economic foundation. When the new industrial imperialism swept Africa, with England in the lead, the presence of these educated black leaders was a thorn in the flesh of the new English industrialists. Their method was to crowd these leaders aside into narrower and narrower confines as we have seen in Sierra Leone. But the Negroes in the older colonies retained possession of their land and, suddenly, when the cocoa industry was transferred from Portuguese Africa, they gained in one or two colonies a new and undreamed of economic foundation. Instead of following the large plantation industry, cocoa became the product of the small individual native farm. In 1891 a native sold eighty pounds of the first cocoa raised on the Gold Coast. By 1911 this had increased to 45,000 tons and in 1916 to 72,000 tons. In Nigeria there has also been a large increase, making these colonies today the greatest cocoa producing countries in the world.

Moreover this progress showed again the new democratic problems of colonization, since it began and was fostered by a certain type of white colonial official who was interested in the black man and wanted him to develop. But this official was interested in the primitive black and not in the educated black. He feared and despised the educated West African and did not believe him capable of leading his primitive brother. He sowed seeds of dissension between the two. On the other hand, the educated West African hated the white colonial leader as a supplanter and deceiver whose ultimate aims must be selfish and wrong; and as ever, between these two, the English exploiting company worked gradually its perfect will.

Determined effort was thus made by the English, both merchants and philanthropists, to cut the natives off from any union of forces or of interests with the educated West Africans. "Protectorates" under autocratic white rule were attached to the colonies and the natives in the protectorates were threatened with loss of land, given almost no education and left to the mercy of a white colonial staff whose chief duty gradually came to be the encouragement of profitable industry for the great companies. These companies were represented in the governing councils, they influenced appointments at home and especially they spread in England a carefully prepared propaganda which represented the educated "nigger" as a bumptious, unreasoning

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fool in a silk hat, while the untutored and unspoiled native under white control was nature's original nobleman. Also they suggested that this "white" control must not admit too many visionaries and idealists.

This policy has not been altogether successful, for the educated Negro is appealing to English democracy and the native is beginning to seek educated black leadership. After many vicissitudes, in 1920 a Congress of West Africa was assembled on the Gold Coast, and from this a delegation was sent to London "to lay before His Majesty the King in Council through the colonial ministry certain grievances." This was an epoch-making effort and, as was natural, the Colonial Office, where imperial industry is entrenched, refused to recognize the delegation, claiming that they did not really represent black West Africa. Nevertheless, through the League of Nations Union and the public press this delegation succeeded in putting its case before the world. They described themselves as "of that particular class of peaceful citizens who, apprehensive of the culminating danger resulting from the present political unrest in West Africa—an unrest which is silently moving throughout the length and breadth of that continent—and also appreciating the fact that the present system of administration will inevitably lead to a serious deadlock between the 'Government and the Governed,' decided to set themselves to the task of ameliorating this pending disaster by putting forward constitutionally a programme, the carrying of which into operation will alleviate all pains and misgivings."

The final resolutions of the Congress said, "that in the opinion of this Conference the time has arrived for a change in the Constitution of several British West African colonies, so as to give the people an effective voice in their affairs both in the Legislative and Municipal Governments, and that the Conference pledges itself to submit proposals for such reforms."

The reasons for this demand are thus described:

"In the demand for the franchise by the people of British West Africa, it is not to be supposed that they are asking to be allowed to copy a foreign institution. On the contrary, it is important to notice that the principle of electing representatives to local councils and bodies is inherent in all the systems of British West Africa. . . . From the foregoing it is obvious that a system by which the Governor of a Crown Colony nomi-

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nates whom he thinks proper to represent the people is considered by them as a great anomaly and constitutes a grievance and a disability which they now request should be remedied."

Since the war not only has West Africa thus spoken but the colored West Indies have complained. They want Home Rule and they are demanding it. They asked after the war: Why was it that no black man sat in the Imperial Conference? Why is it that one of the oldest parts of the empire lingers in political serfdom to England and industrial bondage to America? Why is there not a great British West Indian Federation, stretching from Bermuda to Honduras and Guiana, and ranking with the free dominions? The answer was clear and concise—Color.

In 1916 a new agitation for representative government began in Grenada. The fire spread to all the West Indies and in 1921 a delegation was received by the Colonial Office in London at the same time that the Second Pan-African Congress was in session.

Here were unusual appeals to English democracy—appeals that not even commercial propaganda could wholly hush. But there was a force that curiously counteracted them. Liberal England, wanting world peace and fearing French militarism, backed by the English thrift that is interested in the restored economic equilibrium, found as one of its most prominent spokesmen Jan Smuts of South Africa, and Jan Smuts stands for the suppression of the blacks.

Jan Smuts is today, in his world aspects, the greatest protagonist of the white race. He is fighting to take control of Laurenço Marques from a nation that recognizes, even though it does not realize, the equality of black folk; he is fighting to keep India from political and social equality in the empire; he is fighting to insure the continued and eternal subordination of black to white in Africa; and he is fighting for peace and good will in a white Europe which can by union present a united front to the yellow, brown and black worlds. In all this he expresses bluntly, and yet not without finesse, what a powerful host of white folk believe but do not plainly say in Melbourne, New Orleans, San Francisco, Hongkong, Berlin, and London.

The words of Smuts in the recent Imperial Conference were transcribed as follows: "The tendencies in South Africa, just as elsewhere, were all democratic. If there was to be equal manhood suffrage over the Union, the whites would be swamped by the blacks. A distinction could not be made between Indians

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and Africans. They would be impelled by the inevitable force of logic to go the whole hog, and the result would be that not only would the whites be swamped in Natal by the Indians but the whites would be swamped all over South Africa by the blacks and the whole position for which the whites had striven for two hundred years or more now would be given up. So far as South Africa was concerned, therefore, it was a question of impossibility. For white South Africa it was not a question of dignity but a question of existence."

This almost naïve setting of the darker races beyond the pale of democracy and of modern humanity was listened to with sympathetic attention in England. It is without doubt today the dominant policy of the British Empire. Can this policy be carried out? It involves two things—acquiescence of the darker peoples and agreement between capital and labor in white democracies.

This agreement between capital and labor in regard to colored folk cannot be depended on. First of all, no sooner is colored labor duly subordinate, voiceless in government, efficient for the purpose and cheap, than the division of the resultant profit is a matter of dispute. This is the case in South Africa and it came as a singular answer to Smuts. In South Africa white labor is highly paid, can vote, and by a system of black helpers occupies an easy and powerful position. It can only retain this position by vigorously excluding blacks from certain occupations and by beating their wages down to the lowest point even when as helpers they are really doing the prohibited work. It is to the manifest interest of capitalists and investors to breach if not overthrow this caste wall and thus secure higher profits by cheaper and more pliable labor. Already South African courts are slowly moving toward mitigating the law of labor caste and in retaliation the white labor unions have joined Smuts' political enemies, the English-hating Boer party of independence, and have overthrown the great premier.

But how curious are these bedfellows—English capital and African black labor against Dutch home-rulers and the trades unions. The combinations are as illogical as they are thought-producing, for after all if South Africa is really bent on independence she must make economic and political peace with the blacks; and if she hates Negroes more than she hates low wages she must submit even more than now to English rule.

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Now what is English rule over colored folk destined to be? Here comes the second puzzling result of the Smuts philosophy. I was in London on the night of the Guild Hall banquet when the Prime Minister spoke on "Empire Policy and World Peace" and gave a sort of summing up of the work of the Imperial Conference. It was significant that in the forefront of his words, cheek by jowl with Imperial "foreign policy," stood the "intensity of feeling in India on the question of the status of British Indians in the Empire." What indeed could be more fundamental than this in the building of world peace? Are the brown Indians to share equally in the ruling of the British Empire or are they an inferior race? And curiously enough, the battle on this point is impending not simply in the unchecked movement toward "swaraj" in India but in Africa—in the Union of South Africa and in Kenya.

In South Africa, despite all Imperial explanations and attempts to smooth things out, Smuts and the Boers have taken firm ground: Indians are to be classed with Negroes in their social and political exclusion. South Africa is to be ruled by its minority of whites. But if this is blunt and unswerving, how much more startling is Kenya. Kenya is the British East Africa of pre-war days and extends from the Indian Ocean to the Victoria Nyanza and from German East Africa to Ethiopia. It is that great roof of the African world where, beneath the silver heads of the Mountains of the Moon, came down in ancient days those waters and races which founded Egypt. The descendant races still live there with fine physique and noble heads —the Masai warriors whom Schweinfurth heralded, the Dinka, the Galla, and Nile Negroes—the herdsmen and primitive artisans of the beautiful highlands. Here was a land largely untainted by the fevers of the tropics and here England proposed to send her sick and impoverished soldiers of the war. Following the lead of South Africa, she took over five million acres of the best lands from the 3,000,000 natives, herded them gradually toward the swamps and gave them, even there, no sure title; then by taxation she forced sixty percent of the black adults into working for the ten thousand white owners for the lowest wage. Here was opportunity not simply for the great landholder and slave-driver but also for the small trader, and twenty-four thousand Indians came. These Indians claimed the rights of free subjects of the empire—a right to buy land, a right to

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exploit labor, a right to a voice in the government now confined to the handful of whites.

Suddenly a great race conflict swept East Africa—orient and occident, white, brown and black, landlord, trader and landless serf. When the Indians asked rights the whites replied that this would injure the rights of the natives. Immediately the natives began to awake. Few of them were educated but they began to form societies and formulate grievances. A black political consciousness arose for the first time in Kenya. Immediately the Indians made a bid for the support of this new force and asked rights and privileges for all British subjects—white, brown and black. As the Indian pressed his case, white South Africa rose in alarm. If the Indian became a recognized man, landholder and voter in Kenya, what of Natal?

The British Government speculated and procrastinated and then announced its decision: East Africa was primarily a "trusteeship" for the Africans and not for the Indians. The Indians, then, must be satisfied with limited industrial and political rights, while for the black native—the white Englishman spoke! A conservative Indian leader speaking in England after this decision said that if the Indian problem in South Africa were allowed to fester much longer it would pass beyond the bounds of domestic issue and would become a question of foreign policy upon which the unity of the Empire might founder irretrievably. The Empire could never keep its colored races within it by force, he said, but only by preserving and safeguarding their sentiments.

Perhaps this shrewd Kenya decision was too shrewd. It preserved white control of Kenya but it said in effect: "Africa for the Africans!" What then about Uganda and the Sudan, where a black leadership exists under ancient forms; and above all, what about the educated black leadership in the West Indies and West Africa? Why should black West Africa with its industrial triumphs like Nigeria be content forever with a Crown Government, if Africa is for the Africans?

The result has been a yielding by England to the darker world —not a yielding of much, but yielding. India is to have a revision of the impossible "diarchy;" all West Africa is to have a small elective element in its governing councils; and even the far West Indies have been visited by a colonial undersecretary and parliamentary committee, the first of its kind in the long

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history of the islands. Their report is worth quoting in part: "Several reasons combine to make it likely that the common demand for a measure of representative government will in the long run prove irresistible. The wave of democratic sentiment has been powerfully stimulated by the war. Education is rapidly spreading and tending to produce a colored and black intelligentsia of which them embers are quick to absorb elements of knowledge requisite for entry into learned professions and return from travel abroad with minds emancipated and enlarged, ready to devote time and energy to propaganda among their own people."

Egypt is Africa and the Bilad-es-Sudan, Land of the Blacks, has in its eastern reaches belonged to Egypt even since Egypt belonged to the Sudan—ever since the Pharoahs bowed to the Lords of Meroe. Fifty times England has promised freedom and independence to Egypt and today she keeps her word by seizing the Sudan with a million square miles, six million black folk and twenty million dollars of annual revenue. But Egypt without the Sudan can never be free and independent and this England well knows, but she will hold the Sudan against Egypt as "trustee" for the blacks. That was a fateful step that the new Conservatives took after the Sirdar was murdered by hot revolutionists. Its echo will long haunt the world.

If now England is literally forced to yield some measure of self-government to her darker colonies; if France remains steadfast in the way in which her feet seem to be tending; if Asia arises from the dead and can no longer be rendered impotent by the opium of international finance, what will happen to imperialistic world industry as exemplified in the great expansion of the nineteenth and early twentieth centuries?

LABOR IN THE SHADOWS

This is the question that faces the new labor parties of the world—the new political organizations which are determined to force a larger measure of democracy in industry than now obtains. The trade union labor movement dominant in Australia, South Africa and the United States has been hitherto autocratic and at heart capitalistic, believing in profit-making industry and wishing only to secure a larger share of profits for particular guilds. But the larger labor movement following the war envisages through democratic political action real democratic power of the mass of workers in industry and commerce.

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Two questions here arise: Will the new labor parties welcome the darker race to this industrial democracy? And, if they do, how will this affect industry?

The attitude of the white laborer toward colored folk is largely a matter of long continued propaganda and gossip. The white laborers can read and write, but beyond this their education and experience are limited and they live in a world of color prejudice. The curious, most childish propaganda dominates us, by which good, earnest, even intelligent men have come by millions to believe almost religiously that white folk are a peculiar and chosen people whose one great accomplishment is civilization and that civilization must be protected from the rest of the world by cheating, stealing, lying, and murder. The propaganda, the terrible, ceaseless propaganda that buttresses this belief day by day,—the propaganda of poet and novelist, the uncanny welter of romance, the half knowledge of scientists, the pseudo-science of statesmen,—all these, united in the myth of mass inferiority of most men, have built a wall which many centuries will not break down. Born into such a spiritual world, the average white worker is absolutely at the mercy of its beliefs and prejudices. Color hate easily assumes the form of a religion and the laborer becomes the blind executive of the decrees of the masters of the white world; he votes armies and navies for "punitive" expeditions; he sends his sons as soldiers and sailors; he composes the Negro-hating mob, demands Japanese exclusion and lynches untried prisoners. What hope is there that such a mass of dimly thinking and misled men will ever demand universal democracy for all men?

The chief hope lies in the gradual but inevitable spread of the knowledge that the denial of democracy in Asia and Africa hinders its complete realization in Europe. It is this that makes the Color Problem and the Labor Problem to so great an extent two sides of the same human tangle. How far does white labor see this? Not far, as yet. Its attitude toward colored labor varies from the Russian extreme to the extreme in South Africa and Australia. Russia has been seeking a *rapprochement* with colored labor. She is making her peace with China and Japan. Her leaders have come in close touch with the leaders of India. Claude McKay, an American Negro poet traveling in Russia, declares: "Lenin himself grappled with the question of the American Negroes and spoke on the subject before the Second

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Congress of the Third International. He consulted with John Reed, the American journalist, and dwelt on the urgent necessity of propaganda and organization work among the Negroes of the South."

Between these extremes waver the white workers of the rest of the world. On the whole they still lean rather toward the attitude of South Africa than that of Russia. They exclude colored labor from empty Australia. They sit in armed truce against them in America where the Negroes are forcing their way into ranks of union labor by breaking strikes and underbidding them in wage.

It is precisely by these tactics, however, and by hindering the natural flow of labor toward the highest wage and the best conditions in the world that white labor is segregating colored labor in just those parts of the world where it can be most easily exploited by white capital and thus giving white capital the power to rule all labor, white and black, in the rest of the world. White labor is beginning dimly to see this. Colored labor knows it, and as colored labor becomes more organized and more intelligent it is going to spread this grievance through the white world.

THE SHADOW OF SHADOWS

How much intelligent organization is there for this purpose on the part of the colored world? So far there is very little. For while the colored people of today are common victims of white culture, there is a vast gulf between the red-black South and the yellow-brown East. In the East long since, centuries ago, there were mastered a technique and philosophy which still stand among the greatest the world has known; and the black and African South, beginning in the dim dawn of time when beginnings were everything, have evolved a physique and an art, a will to be and to enjoy, which the world has never done without and never can. But these cultures have little in common, either today or yesterday, and are being pounded together artificially and not attracting each other naturally. And yet quickened India, the South and West African Congresses, the Pan-African movement, the National Association for the Advancement of Colored People in America, together with rising China and risen Japan—all these at no distant day may come to common consciousness of aim and be able to give to the labor parties of the world a message that they will understand.

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THE COLOR LINE

My ship seeks Africa. Ten days we crept across the Atlantic; five days we sailed to the Canaries. And then, turning, we sought the curve of that mighty and fateful shoulder of gigantic Africa. Slowly, slowly we creep down the coast in a little German cargo boat. Yonder behind the horizon is Cape Bojador, whence in 1441 came the brown Moors and black Moors who, through the slave trade, built America and modern commerce and let loose the furies on the world. Another day afar we glide past Dakar, city and center of French Senegal. Thereupon we fall down, down to the burning equator, past Guinea and Gambia, to where the Lion Mountain glares, toward the vast gulf whose sides are lined with silver and gold and ivory. And now we stand before Liberia—Liberia that is a little thing set upon a hill—thirty or forty thousand square miles and two million folk. But it represents to me the world. Here political power has tried to resist the concentration in the power of modern capital. It has not yet succeeded, but its partial failure is not because the republic is black but because the world has failed in this same battle; because the oligarchy that owns organized industry owns and rules England, France, Germany, America, and Heaven. And it fastens this ownership by the Color Line. Can Liberia escape the power that rules the world? I do not know. But I do know that unless the world escapes, world democracy as well as Liberia will die: and if Liberia lives it will be because the world is reborn as in that vision splendid that came in the higher dreams of the World War.

And thus again in 1925, as in 1899, I seem to see the problem of the Twentieth Century as the Problem of the Color Line.

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HUNGARY IN THE NEW EUROPE

By Count Stephen Bethlen

IT IS no easy matter for a distant observer to understand the circumstances of the formation of the Hungarian state and the place which in the course of subsequent history Hungary came to take in Europe. It was in 895 A.D. that the Magyars reached the basin of the Danube, entering the country formerly known as the Roman province of Pannonia; and a hundred years later, when Constantine, Emperor of Byzantium, wrote his famous work on the Magyars, our ancestors were already in full possession of the territory which in the days prior to the Great War was known as Hungary. Their dominion stretched westward as far as the River Emms and extended even to the district lying between the Danube and the Save; in the south the frontier of their country was the Danube; the eastern frontier was the Carpathians—up to the Moldavia and Bukovina of today; and on the northern frontier lay Galicia and the old Kingdom of Bohemia. These frontiers remained intact for over a thousand years, right down to 1918; and even a temporary occupation by the armies of a foreign power failed to change them. The masses of Magyars who first occupied the country had been driven from their original home by the ever-active inner forces that make history; the same forces assisted the Magyars to establish in their new country a state possessing a uniform language and a uniform culture, and within that state to set up a national Christian kingship.

Torn into three parts during the period of Turkish occupation, the Hungarian nation lived a threefold life. Having lost its political unity, its spiritual unity too often became disorganized; Magyar frequently came into conflict with Magyar—at times showing a far more bitter hatred than when fighting against a foreign foe. And in the meantime the Turks were ravaging and "Balkanizing" the country. The vitality that could survive such a terrible crisis without withering and wasting away must indeed have been marvelous. When—after a subjection of a century and a half—the Hungarians at last succeeded, with the assistance of the Hapsburgs and the Western Powers, in driving the Turks from Hungarian soil, it appeared as if there were nothing to prevent Hapsburg rule from being definitively established.

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But though the Hapsburgs rarely showed respect for the Hungarian Constitution, the independence and liberty of the Hungarian state never ceased to exist either *de jure* or *de facto*,—certainly never in any manner analogous to that of Poland, for instance. Even in the midst of the greatest trials there were always to be found Hungarian statesmen who preserved intact the jealously guarded treasure of national independence, who succeeded in giving expression to its reality—if unable to do so elsewhere—in the terms of the coronation oath.

At the outset, the economic and legal situation between Hungary and Austria was regulated—somewhat one-sidedly indeed—by an agreement of the nature of a state treaty. The constitutional form of the relation of the two countries was preserved by the fact that, subsequently to the reign of Ferdinand I, Hungary had invariably elected and crowned as king the Austrian ruler. But it was not until 1687 that this connection acquired a legal substance. In that year the Hungarian legislature promulgated and incorporated in law the right of succession of the male line of the ruling dynasty. By this Act of Parliament, and still more by the Pragmatic Sanction passed at a later date, expression was given to the fact that there existed between Hungary and the Austrian hereditary provinces, by virtue of the possession of a common ruler, the legal relation of a state union. Acts I and II of 1723—the Pragmatic Sanction—further declared as fundamental state law that the female line of the House of Hapsburg was also entitled to the right of hereditary succession to the Hungarian throne; while at the same time they established the obligation of mutual defense and the principle that the Hungarian Kingdom was inseparable from the other hereditary provinces under the rule of the House of Hapsburg.

The history of America divides naturally into two great periods—pre-Washington and post-Washington. In the history of Hungary, too, we find a similar mighty historical watershed demarcating two distinct worlds in the life of a people. The point of division was 1848. The Hungary prior to 1848 was still the Hungary of the Estates, with its special privileges for the nobility, its feudal serfs, and a by no means numerous and completely isolated class of burghers (who nevertheless were careful to preserve their acquired rights). Since 1848 has existed the democratic Hungarian state, desirous of living in accordance with the principles of modern parliamentarism and based on an

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absolute equality of rights (though it must be confessed that, to begin with, there was a lack, strictly speaking, of any bourgeois consciousness).

During the early part of the nineteenth century there was a splendid re-awakening of the national spirit. A new and intense interest and activity was displayed in everything relating to the culture of the country, a movement indissolubly linked with the glorious name of Stephen Széchenyi. When the historical personality of Louis Kossuth appeared in the arena of public life the political consequences of the outburst began to manifest themselves. As early as 1839 the Parliament of the privileged Estates accepted the principle of definitive redemption, which was the first serious step of a decisive character towards enabling the agricultural laborers (who previously had not possessed the right of changing their domicile at will and who had at their disposal no opportunities of rising in the social scale) at last to acquire human rights and to cease being mere slaves and the objects of extortion. This fact also contributed in no small measure towards enhancing the expansive political force of the nation. On March 15, 1848, the will of the people proved victorious in the streets of Budapest. It was indeed the triumph of the people generally, for a short time before, without any pressure from without, the Hungarian Estates had spontaneously declared for the complete abolition of the entire system of entailment and of the institution of socage service. This action involved the entrance into history of the Hungary of civil equality.

The events of March impelled the resignation of Metternich, the omnipotent Austrian Chancellor; whereupon, on April 11, 1848, the well-meaning but weak monarch, Ferdinand V, once more reinstated the Hungarian Constitution into full possession of its rights and restored the ancient liberty of Hungary. Unfortunately, however, this situation did not last long. The overthrow of the revolutions throughout Europe once more put power into the hands of the absolutists; the Austrian Imperial Court, too, thought the time had come to settle accounts once for all with the Constitution and independence of Hungary. On December 2, 1848, they made Ferdinand V abdicate as Emperor of Austria and King of Hungary, and thus pave the way for the accession of Francis Joseph I, a young man who for the moment was entirely dependent on the influence of bad advisers. Now these bad advisers were all alike enemies of Hungary. When the

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conflict with the Imperial House became inevitable the Hungarian nation took up arms in defense of its rights. The titanic struggle lasted a year and a half, and it resulted in the overthrow of the better cause and of justice. The King enlisted the aid of the absolute Tsar of Russia, Nicholas I, in defense of his absolutism. Hungary was trampled under foot by Cossack horses and brought to her knees by Russian bayonets.

For more than fourteen years—until 1866—Hungary was subjected to a rule of violence of the most malicious and at the same time a most ingenious character. But Francis Joseph, who possessed capacities as a ruler far superior to those of his immediate predecessors, had years before come to understand that the treatment meted out to Hungary was a mistake and that sooner or later the matter would have to be settled on a proper basis. The Austrian defeat at Koniggratz, in the Austro-Prussian War, gave a final and decisive impetus to the development of affairs. On October 20, 1866, appeared the so called "October Letters Patent," which in substance restored the Constitution of Hungary and in any case afforded a sound basis for the initiation by Francis Deák—the "Sage of Hungary"—of negotiations with the ruling dynasty and with Austria for the conclusion of the so called Compromise, or *Ausgleich*. Act XII of 1867 completely restored legal continuity, continuing the erection of the constitutional edifice which had been left unfinished in 1723, 1790 and 1848, respectively, and established the whole inner substance and form of the state union existing between Austria and Hungary. Its terms now emphasized—in a manner precluding any possibility of doubt—the independence and sovereignty of Hungary and at the same time set fast the fact that the "common" institutions established by the two states to ensure efficient mutual defense were on a footing of strict parity.

This state union came to an end in November, 1918, with the collapse of the Monarchy that followed the end of the Great War. As the events that then took place not only rendered impossible any possession in common of the states which previously formed parts of the Hapsburg Monarchy, but also precluded the dynasty from continuing on the throne, the Hungarian National Assembly had to make provision to ensure that the new historical situation should find expression in a proper legal form. This provision is contained in Act I of 1920.

The National Assembly as the exclusive legal representative

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of the sovereignty of the nation established the fact that the exercise of the kingly power ceased on the thirteenth day of November, 1918. It declared further that, as a result of the events that had taken place, the indivisible common possession of Hungary and her dependencies and of the kingdoms and countries represented in the former Austrian Imperial Parliament had also ceased. And then—to quote the text of the Act—"until such time as it shall definitively settle the manner of the exercise of the power of the Head of State, and shall in consequence actually take over the office of Head of the State, the National Assembly shall by secret ballot elect from among the citizens of Hungary a Regent to perform temporarily the functions of the Head of the State." Hungary is therefore in law a kingdom; but at the present moment the power of the Head of the State is being exercised by the elected Regent.

At this point the question might well be asked, why is Hungary spoken of as a kingdom if it has no king?

May I be permitted here—setting aside all other arguments—to point simply to the importance of the rôle played in the public law and constitutional life of Hungary by the Holy Crown and the political dogma relating thereto based on a certain mystic tradition. Time, and long and bitter struggles for liberty, have imprinted deep in the minds of the Hungarian people the ancient law that the nation can regard as lawful king and legal possessor of the kingly power only that person whose anointed brow has been touched by the Holy Crown presented to King St. Stephen in 1000 A.D. by Pope Sylvester II. This conception first obtained a precise legal form at the opening of the sixteenth century in the "Tripartitum" of Stephen Verböczy, Lord Chief Justice of Hungary, in a declaration to the effect that, by the act of coronation with the Holy Crown, the right of reigning and ruling was conferred by the nation of its own free will on the king elected voluntarily by that nation. In other words, the political nation, being the source of power and law, by the crown conferred these supreme moral and political rights on the sovereign. Hereby the crown became a profound historical symbol, which in the mind of the Hungarian people personified the kingship even in the absence of a living and actually reigning king. This is the psychological explanation of the present situation of Hungary. The Hungarian state is at the present moment genuinely a kingdom—though for the moment without a king—

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by virtue of the political and symbolical power of the Holy Crown. The Entente itself has tacitly recognized this to be the actual legal position; for whereas in its first draft of the Conditions of Peace it spoke everywhere of a Hungarian Republic, the Treaty of the Trianon contains no such definition but speaks of our country throughout, without any designation of the form of government, simply as "Hungary."

Unfortunately, during the last half century of Hungary's association with the rest of the Hapsburg Monarchy, though its position and independence permitted it to be regarded as completely and definitively settled from the legal point of view, yet the institutions of a common army and a common foreign affairs service obscured the fact of the historical separation of Hungary and hid it from the public opinion of foreign countries. But the misunderstanding was not confined to the so-called general public; even diplomats and statesmen found themselves in a rather awkward dilemma when they were called upon to speak of the political position of Hungary. I have had sad experiences in this respect, particularly when we were engaged at Neuilly in elaborating the material for the Peace Conference, on which occasion we were dumfounded to learn that powerful statesmen exercising a decisive influence in the affairs of the world knew of Hungary only as an "Austrian province." And naturally we were treated accordingly. This erroneous and general belief was undoubtedly one of the most catastrophic factors governing the drafting of the Treaty of the Trianon, for the vast majority of the treaty makers took Hungary to be, not an independent state which had been in existence for a thousand years, but an entirely new historical creation which had practically been brought into being by the Great War, and the independence of which had been a direct gift and sign of goodwill on the part of the great powers. This supposition seems to be proved by Article 78 of the Treaty of the Trianon, which runs as follows: "The independence of Hungary is inalienable otherwise than with the consent of the Council of the League of Nations. Consequently Hungary undertakes in the absence of the consent of the said Council to abstain from any act which might directly or indirectly or by any means whatever compromise her independence, particularly, and until her admission to membership of the League of Nations, by participation in the affairs of another power." This passage of the Treaty, while on the one hand ensuring the international

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recognition of the independence of the Hungarian State, at the same time places that independence under international control. The position has indeed been considerably improved in this respect by the admission of Hungary to membership in the League of Nations; but there are certain restrictions still in force—restrictions which, in my opinion, even if they had not been omitted altogether would undoubtedly have been substantially modified had the consciousness of the national independence of Hungary definitely taken root in the public opinion of Europe prior to the outbreak of the Great War.

Aside from the Great War itself, the five months' régime of the Bolsheviks was without doubt of paramount importance in determining the political, social and indeed even the economic situation of post-war Hungary. The answer to the question as to how Hungary could have fallen a victim to the "dictatorship of the proletariat" is today fairly evident to the historical observer. Hungary was plunged into a tragic decadence as a result of the backward development of her middle class, by the want of an organized society and, naturally, also by the anarchy ensuing as the result of the defeat in the war. After the liberation of the serfs in 1848, it was not until the second half of the nineteenth century that a certain process of intermingling was effected in the three grades of society—this resulting in the formation of a new middle class, which however consisted largely of immigrants and was unable before the outbreak of the Great War to strike deep root in the national soil. The industrialization of the country did not begin until after the period following the Compromise of 1867; and its effect made itself apparent at first only in the big towns, not spreading to any extent until later. This process of distribution was a very slow one and involved as its consequence that, while the development of the capital city of Budapest assumed gigantic dimensions and rose with genuine American rapidity to a position as one of the big cities of the world and as an industrial center, the country itself —the country districts—remained behindhand in the process and in certain respects even showed an alienation in spiritual aspects from the capital. In the latter, meantime, new classes were in the making,—first and foremost the industrial proletariat, which even prior to the war embarked on exhausting struggles for the achievement of its political rights, and then the constantly growing civil servant and clerk class, which in time absorbed the im-

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poverished scions of the older landed families. This was the society which, as a result of its inner explosive forces of unrest, was just preparing to resort to the safety valve of constitutional reforms at the very moment when the Great War broke out. The new situation naturally resulted in the taking of new decisions; but it did not substantially change the frame of mind in which Hungarian society had been living during the years immediately preceding the outbreak of the Great War. The bewildering fact of military defeat threw the older and established classes of Hungary, together with the bourgeoisie, into a state of torpid lethargy. The moment was regarded by the destructive elements which are present in all societies, and by the Bolshevik agents who were constantly making their way into the country from Russia, as a suitable one for them to play their own particular part as factors in Hungarian politics and in the management of the affairs of Hungary. First came the Károlyi Revolution with its own particular *défaitism*, which infected the whole living organism of the nation and reduced its power of resistance to a minimum; and this preparatory artillery attack was followed on March 21, 1919, by its logical consequence—the "dictatorship of the proletariat." Hungary lay prostrate and helpless at the mercy of her enemies; and—a fact that made her situation still more tragic—the country was in the hands of a band of desperate ruffians who were engaged in tearing to shreds even the last remnants of her national past and her national pride.

The fundamental principles of communist government seem to harmonize in a striking manner with the system which—however unconsciously it may have worked—was nevertheless most instrumental in hastening the fall of the great Roman Empire. The political massacres *en masse* and, later on, in the days of the emperors, the extinction of the so-called "best," resulted in removing from the life of the nation just those individuals who possessed a personality and creative power of their own. This was the convenient, if not exactly humane method adopted by the Roman Caesars to remove the opposition; but we must adduce as an extenuating circumstance on their behalf the fact that they probably did not know what they were doing. The Bolsheviks, however, both in Russia and in Hungary, had before them the Roman precedent; and they acted with a thoroughly Marxian consciousness in doing what Caligula and Nero had done from a mere savage instinct. In Russia the extinction of

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the best pillars of the state and of society has already reached a very advanced stage, even if it is not yet absolutely complete; and there is no doubt that the same would have been done in Hungary too, where the great "work of purification" was actually begun, had not this atrocious rule of a kind of contagious delirium collapsed suddenly on August 1, 1919. Even as it was, the victims done to death by the Bolshevik demagogues in the interest of social progress amounted to many hundreds.

I do not wish in this place to indulge in a detailed characterization of the Bolshevik reign of terror. There is already a considerable literature devoted to the treatment of this question. I would confine myself to stating that when the bourgeois society returned to power it found only ruins—political, social, economic, and moral—in the place of what had been the state. There was no country to be found anywhere; it had to be rebuilt.

In 1821 Goethe, speaking of Hungary, said: "It is a country richly endowed with blessings; only it is a pity that it cannot progress." Where is now the Hungary to which the great German genius referred? It has gone—not merely geographically and politically speaking, as the result of the action of the Treaty of Peace in taking away two-thirds of the territory and population of the country, but also in respect to its aims and its soul. Before the close of the last century Hungary had already belied Goethe's reproach; and today there is no need of any proof that she is both able and willing to progress.

The Hungary of the nineteenth century created in its territory mighty reservoirs of culture and civilization. Whenever the sky cleared and the weather became propitious to intellectual life—even if the improvement was only a slight one—there immediately appeared a Hungarian musical genius such as Francis Liszt or Francis Erkel, or a Munkácsy in the field of art, or in the fields of literature and scholarship a Jókai, a Pulszky, a Joseph Eötvös,—men who immediately followed the first great generation in the period subsequent to 1848, the generation of Széchenyi, Kossuth, Petöfi, Arany, and the others. I have no intention of dealing with the latest achievements of Hungarian literature, art and music, it will suffice for me to refer to their international success, of which I believe everybody must have heard.

However, the right of the Hungarian people to live is not vindicated merely by such successes as these, or by their conscious work in the interests of European culture in the basin of

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the Danube and the Tisza, in the highlands of Upper Hungary and in Transylvania, or by geographical and natural causes, but by the historical mission that has devolved on the Magyars in the course of centuries, the mission of acting as the intellectual, political and economic link between East and West.

Taking this rôle of the Magyars into consideration, I may now sum up the chief agenda on the program facing Hungary in the immediate future—the Hungary which, as I have described, has suffered the vicissitudes of the Great War and a series of revolutions, and which now is confined within the narrow frontiers unjustly imposed on her by the Treaty of the Trianon. The program falls under three principal heads, as follows:

1. Economic and financial reconstruction.

2. A democratic reorganization on the basis of the principle of a gradual and sound evolution.

3. The organic linking up of Hungary and all Hungarians with Western culture; and in connection herewith a settlement of the minority question.

As far as the first of these agenda is concerned, I feel a certain satisfaction in pointing out that the economic reconstruction of Hungary and the rebuilding of her financial system has made gratifying progress since the floating of the League of Nations loan. The seven reports already published by your distinguished compatriot, Mr. Jeremiah Smith, offer a thorough and objective description and give full information as to what has been going on in Hungary since the work of reconstruction began, and as to how state and society are coöperating for the attainment of the common object. The taxpayers are doing their duty faithfully; the revenue of the state shows a tendency to increase; and if the work of rebuilding the private economy of the country were able to be started with the energy and with the financial assistance from foreign countries such as has accompanied the efforts to reconstruct the state, there can be no doubt that in a few years Hungary would recover from the grave economic shock caused by the reparation stipulations of the Treaty of Peace. Naturally there are other conditions which are essential if the forces of Hungarian economic vitality are to assert themselves to the full; but these are for the moment so remote that it is scarcely to be hoped that they will be within the reach of those responsible for carrying out the work of reconstruction.

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But I cannot sufficiently emphasize to my foreign readers the fact that even in her present form and structure Hungary offers the most favorable field conceivable for the investment of foreign capital. The industrial, commercial and agricultural possibilities open here to foreign capital and foreign enterprise are practically unlimited; all that is required is for them to be energetically seized and transformed. I am convinced that the financial world of America, which as a result alike of its initiative and its shrewdness has at all times been able to find the way to the exploitation of such possibilities, will on this occasion too discover that Hungary—which to a certain extent is perhaps still a *terra incognita* for American business men—is worthy of interest and study. Once this first step has been taken, there will ensue an active participation and a direct connection.

During journeys of mine in foreign countries, as recently as one or two years ago, eminent financiers declared to me that, though they admitted that Hungary was still an unexploited mine both economically and financially, they could not see the necessary guarantee for investments in view of political and social conditions. To these objections I replied by repeatedly pointing out that while on the one hand Hungary desired peace and wished to attain success exclusively by peaceful development, on the other hand Hungary and the Hungarian Government did stand for the principle of democratic progress. This naturally does not mean that the country should transplant to its soil, blindly and uncritically, every institution which, while it may have stood the test in other countries, might not be at all practicable or advantageous in Hungary, the development and present situation of which are entirely different from those of other states. Just as there are no two absolutely similar men anywhere in the world, so there are not two absolutely similar nations. This does not mean that Hungary has not accommodated herself to the requirements of the modern fellow-feeling between peoples. On the contrary, she has always done so in the past and will continue to do so in the future. For a thousand years Hungary has possessed a constitutional life, and since 1848 a parliamentary form of government. There can be no doubt that parliamentarism is the child of democracy. The mutual relation of these two things, however, is not always or in all countries the same. It is different in Hungary from what it is in Great Britain, and more particularly from what it is in the United

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States. Parliament, as the manifestation of the will of the nation, is undoubtedly an organ which is suited to satisfying the claims and wishes of the general masses, and no more suitable organ has yet been invented by the human mind. In Hungary everyone regards Parliament as a necessary institution and suitable for the purpose—naturally, on a moral, legal and social basis most closely conforming with the national and historical individuality of the country. Hungary, which during the whole course of her history has always been an enthusiastic admirer of the great ideas of liberty, has at all times remained in essence a state with conservative inclinations. This is the result of her whole historical life, of her racial characteristics and her qualities of temperament. According to the modern Hungarian interpretation, however, which I myself accept, conservatism does not mean, and in this country has never meant, reaction or backwardness, but sober reflection, a sieve of ideas through which mass movements pass and are as it were sterilized before becoming incorporated in the national code of law or public institutions. Democracy and conservatism are in my opinion very easily reconcilable and compatible ideas; and I have all the more reason to say so, seeing that I profess and affirm that democracy is not an object in itself, but a means to attain and achieve, by a peaceful development, the highest degree of human welfare and the greatest measure of human contentment.

As is but natural, democracy is interpreted by everyone according to the party principles which he avows. To mention only one instance in illustration, there are people who are unable to distinguish democracy from the idea of a republic; and I may refer—in contrast with this attitude—to Great Britain, where democracy reached the height of its development during and as a consequence of the rule of Conservative governments. I admit that the political system of Hungary, judged by the standard which we may apply to the great democracies of the West, cannot yet be called perfect or complete. However, every effort is being made to render Hungarian society and the Hungarian people—by economic and cultural advancement—fitted to possess the purest form of democratic constitution and one which shall be translated into terms of actual life in the most thorough manner. However, for the attainment of this grand object we require—apart from time—an enhancement of general culture, as well as a successful issue to the great work of eco-

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nomic and financial reconstruction which has been begun under such favorable auspices.

Unfortunately, when speaking of this question today I cannot speak in the name of all the Hungarians living in Europe. Almost four millions—or one-third of all the Hungarians living today in the whole world—is the number of those Hungarians who are now beyond the present frontiers of the country and are cut off from their fatherland, not only politically and economically, but also intellectually and from the viewpoint of culture. The definitive stabilization of this situation without any complete acknowledgment of minority rights on the part of the countries to the rule of which these Hungarians have been subjected, cannot prove of advantage either to international peace or to European consolidation. The so-called minority question in its whole tragic reality is still awaiting solution; and thus far practically no serious attempt has been made to eliminate this problem—at least in respect of its most distressing points—from the life of Central Europe. The Treaties of Saint Germain and the Trianon, as also the minority treaties concluded in this connection between the Great Powers and the Succession States, do indeed provide for the protection of the rights of the minorities; but today these provisions possess absolutely no practical value, for they are dependent on the League of Nations to imbue them with any life or substance. So far, however, the League of Nations has failed to do its duty in this field, so that I venture to say that the state of things in force today in respect of the rights of minorities in Eastern Europe is an outrage on culture which can only be explained by presuming that the peoples of the world are not yet sufficiently informed about it, seeing that they are occupied in liquidating the other troubles arising out of the Great War.

Hungary, which has probably been more immediately and seriously affected by this question than any other country, has spontaneously made the most loyal provisions for the comfort of the small sprinkling of non-Magyar nationalities left within her new frontiers; she has seen to it that they shall enjoy full satisfaction in the use of their mother tongues and in their religious and social life; she has provided that they shall be enabled, not only in the field of the administration of justice but also of state administration, to assert all those rights which are their human due. The Government ordinances recently issued regarding this

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matter bear eloquent witness to the far-reaching observance of human liberties by the Hungarian Government and of that Government's genuine democratic feeling.

I could not close these remarks in a manner more in harmony with my profound respect for the public opinion of America than by expressing the sincere desire of the whole Hungarian nation for peace. Hungary never wanted war. Written documents are now available to prove that Count Stephen Tisza, who in 1914 was Prime Minister of Hungary, and who was murdered by the agents of the Károlyi Revolution in 1918, at the decisive Crown Council held in Vienna protested against the declaration of war. The situation was then quite clear. All the vital interests of the country demanded that there should be no war. Hungary had nothing to gain, and everything to lose, by a war. This fact was as well known to every thinking Hungarian as it was to Stephen Tisza. However, the subordination of Hungary in the foreign policy of the Dual Monarchy proved a decisive factor; we had to go with those to whom our history had bound us hand and foot.

The policy now being pursued by Hungary is a decided and deliberate endeavor to maintain peace. The favorable effects of this effort are seen, not only in the effectual support being afforded us by the League of Nations, but also in the considerable diminishment in the charged atmosphere of hostility by which we were surrounded in the beginning and by the opening of commercial negotiations with all the neighboring states. Certain agreements have already been made with Jugoslavia, and negotiations with Czechoslovakia are proceeding. The concrete results so far attained offer a reassuring promise that at no very distant date a fresh and healthy circulation will be set going through the still rather anaemic economic organism of the Succession States. The Geneva Conventions afford us an opportunity for making commercial treaties and for bringing into being such economic agreements as shall best conform with our own interests. And we are anxious to avail ourselves of the opportunity—not only in order to increase our inner forces, but also to help place the great edifice of world peace on foundations of the most solid and extensive character.

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DICTATORSHIP AND DEMOCRACY IN LATIN AMERICA

By F. Garcia Calderon

PERU has recently been celebrating, with appropriate solemnity, the hundredth anniversary of the Battle of Ayacucho, which in 1824 decided the political independence of South America. Representatives of Venezuela, Colombia, Ecuador and Bolivia—the republics founded by Bolivar the Liberator—hastened to Lima to affirm their faith in the future of these democratic peoples; and yet there can be no doubt that the problem still presented by public order lingered uncomfortably in their minds. The Liberator himself, victor in great battles and maker of nations though he was, sometimes had doubts of his handiwork. It was in such a mood that he wrote despairingly: "South America is ungovernable. Those who have labored for the Revolution have been ploughing furrows in the sea." In the epoch that was then beginning he foresaw mob frenzies and the rule of tyrants of every race and color. Afterwards would come chaos and the dissolution of American life.

A hundred years have passed and still the same uneasiness disturbs these states, which fate seems to have condemned to anarchy. Is it possible for them to set up a stable rule without resort to despotism or revolution, to govern with the consent of the governed, to give political parties complete freedom, to assure material progress without injury to moral progress? Recent events have raised innumerable problems. After several years of domestic peace, which promised to be lasting, we today see almost everywhere in Latin America a sudden return to the struggles of the past. This is not so much due to spontaneous anarchy or clashing factions as it is due to a well-defined tendency toward dictatorship as a form of government.

There seem to be two distinct periods in the evolution of Latin America. The first is represented by the military tyranny which followed the death of Bolivar, when his lieutenants parcelled out among themselves the Liberator's political heritage, while those of San Martin and Belgrano were trying to organize in the south the nations that had scarcely been freed from Spanish tutelage. It was a bloody and picturesque period—innumerable revolutions, political charters stamped with a too

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ingenuous idealism, sundry tyrannies, and leaders who posed as regenerators and reformers. There was a long time when Herbert Spencer's theory was applicable to this development: after a rigid and despotic military era, a richer and more pliant industrial age was to follow. It was with this in mind that twelve years ago in my book "Latin American Democracy" I said: "Instead of writing the history of governments, we must study the economic evolution of the nations, their statistics, industry, and commerce. In tragedy, the chorus—the crowd—becomes the essential personage; it judges; it executes; it becomes spectator and creator whilst the ancient heroes, conquerors of destiny and founders of cities, disappear in the fog of years gone by."

Wealth has come to Latin America without bringing a restoration of order. Americans of Spanish and Portuguese origin have not succeeded in achieving the unity of their continent—which is, as Archibald Cary Coolidge wrote in 1906, a proof of their political inferiority. Still less have they been able within a hundred years to create a régime free from periodic revolutions and governments untainted by the passion for absolutism. The war of 1914 increased the wealth of these countries. Their industrial development seems more advanced than in 1914. And yet the tendency toward dictatorship appears quite as strong in most of the republics as it was in the darkest periods of American history.

Three South American nations—Argentina, Brazil and Chile—seem better organized, wiser, and stronger than the others. In international relations they have been able to set up the A. B. C. entente for common action without rousing jealousy among the republics which Bolivar created—Venezuela, Colombia, Ecuador, Bolivia, and Peru. Lying closer to civilizing Europe, these three—especially Brazil and Argentina—have received Italian immigrants, British capital, and French intellectual sympathies. Their common interests have become stronger and more closely intertwined than elsewhere, and yet these peoples, in spite of their swift evolution, are undergoing the same grave crisis as the less developed and less wealthy republics.

Two recent revolutions have disturbed the political life of Chile. President Arturo Alessandri was at first exiled as a result of the *coup d'état* of September 6, 1924, and is now, as the result of one still more recent, invited to return. It was more than

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thirty years since there had been any disturbance of the domestic calm of this republic, which seemed to be devoting itself to peace and to that slow and sure evolution which overcomes anarchy.

The election of Alessandri to the Presidency five years ago ensured a speedy change. Alessandri, who was born in 1874, was a brilliant lawyer. He became extremely popular. A kind of mystic impulse drove him on to the higher positions in the state. People believed in and exalted him. He was a volunteer in the people's cause—a tribune of the Roman type. He fought against oligarchy and the patrician group which for a century had governed the country with prudence and firmness—the great landed proprietors, defenders of tradition and opponents of religious reform. Alessandri preached equality, criticized the established order and heralded democratic reforms.

Since 1891, the date of the fall of the Dictator-President Balmaceda, the country had lived under an exaggerated parliamentary régime for fear of a return to autocratic presidential rule. Desirous to secure the triumph of his ideas, Alessandri tried to make the laws and carry out a program. In an interview which he gave me in Paris, he did me the honor to explain for my benefit the dangers in the situation created in Chile by the exclusive dominance of Parliament. It had become impossible to govern. Chamber and Senate, much divided among themselves, rendered the lives of cabinets precarious. Congress was committing suicide by slow degrees. Knowing that they were condemned in advance, ministers never dared take the initiative, and the President, incapable of acting, became the powerless witness of group struggles.

A vigorous temperament like that of Alessandri rebelled against such a state of affairs, and his revolt amounted to a return of the régime which had been discredited in 1891. Holding his powers to be drawn from the people, the President made up his mind to govern. A kind of plebiscite at the time of his election had endowed him with full powers. Against the Senate, which always had been unquestionably the rampart of the conservative classes, the President opened a frank warfare and threatened to dissolve it. He met with defeat. He then assumed a demagogic attitude, appealed to the mob, and in fiery speeches condemned the influence of a power which was destined to perish in the new life of Chile. The Senate in its turn refused to pass certain laws and accused Alessandri of aspiring to dictatorship.

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Since 1851 all the Presidents of Chile had belonged to the Liberal Party. But this now seems to have exhausted its program. As in the great democracies of Europe, so here it is two extreme parties, Conservatives and Radicals, that are struggling for power. Himself a Liberal, though his tendencies are Radical, Alessandri endeavored to base his reforms upon the middle class, which had hitherto taken no part in the government but which had grown larger and richer during the past twenty years.

Sure of his support and sure, too, of his hold on the crowd, the President appealed to the Chambers. For one thing, he wished to introduce a divorce law which was not approved. Considering the welfare of the working class, also, and in conformity with the intentions expressed in the Versailles Treaty, he brought about a vote on the social insurance law; it was his idea that the labor code ought to regulate conflicts between employers and workers. At the same time he proposed to establish a State Bank, and thus brought himself into conflict with the privileges of the Bank of Chile in which were represented the special interests of the conservative class. Finally, in its relations with Chile's northern neighbor, Peru, the new government took a pacific line, and Alessandri boasted of having imposed arbitration as a means of settlement upon political parties which regarded it as an evidence of weakness. In agreement with Peru, he asked the United States to arbitrate on and interpret Article III of the Treaty of Ancon relative to the possibility of holding a plebiscite to determine the nationality of the Peruvian provinces of Tacna and Arica which were in Chilean hands.

The President in this way incurred the enmity of too many interests. He was running contrary to prejudices. He could not attain his ends by the usual peaceful methods. No one had ever seen the chief of state in conflict with the Senate. The people loved this providential statesman who was afraid of nobody, who received everybody with perfect simplicity, who put down the mighty from their seats, who was a passionate democrat; but presently the army, which had hitherto held itself apart from political strife, forgot its formerly strict discipline and sought to interfere. A military *junta*, resembling the Military League in Greece during the last years of the monarchy, demanded the "purification of politics." It proposed radical measures and criticized the acts of Parliament. It professed itself weary of

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politicians and their intrigues. It became a power in the state. The President at first yielded, then once more showed fight, but did not dare dissolve this military organization which at length became so powerful that it summoned him to dissolve Congress.

By the *coup d'état* of September 6, 1924, Alessandri was invited to step down. Then the *junta*, reconsidering, finally requested him to leave the country without resigning his high office, but merely taking a "vacation" until the country should be pacified. The President thought it best to go and declared to his ministers that having had his democratic program voted—which had been approved, moreover, by the leaders and the officers of the army—he regarded his political career as ended.

General Altamirano thereupon became President of the Directory, in which Admiral Neff represented the navy. Certain politicians adhered to the new government, but the military committee did not dissolve. On the contrary, it exercised an oversight of the Directory and presented demands to it, like Mussolini's Fascio. New elections are presently to restore normal conditions, but already the bases of the old order are shaken. The army is forgetting its former faith, criticising the powers that be and extorting concessions from them. The parties have lost their prestige. But Alessandri is still the mentor whom the people heed, the presidential enemy of the oligarchy.

When a parliament is incapable of acting and political groups are indefinitely divided, governmental activity is frittered away in petty squabbles. Then comes the dictator with a kind of national plebiscite to support him. Such was Alessandri's moral situation. He exiled no one, he suppressed none of the opposition journals. He had faith in democracy and wished to introduce reforms without recourse to violence. Balmaceda was crushed by the oligarchy in 1891; the radical President Alessandri underwent much the same fate; but the struggle between the people and the ruling classes goes on and revolution is getting under way. The "radical" policies are after all nothing more than an effort to overthrow what might be called Chilian feudalism.

In Argentina President Hipolito Irigoyen has been called the "last dictator." A powerful personality, a *caudillo* in the traditional sense of the word, the chief who holds himself above the law, he wished to govern uncontrolled. The Radical Party, of

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which he is chief, was victorious in the elections, the compulsory and secret vote introduced in 1912 under the Presidency of Saenz Pena having enabled this party to grow while in opposition and to come into power in 1916. The group which thus won over the people had been founded in 1892 as a critic of the harsh methods of the Presidents of that time. It defended state autonomy (Argentina being a federal republic) and proposed to purify the administration, reform political methods, and bring a "new spirit" into the national life. A genuine suffrage, respect for institutions, strict morality in the country's business—such were the essential articles in its program.

The party desired "a strong power," and Irigoyen after his election in 1916 set to work to realize this ambition. His authority, thanks to his energy and his influence among the people, was despotic. No aspect of the nation's life escaped him. Congress had to obey and was reminded of its duty in frequent messages. In 1921 he addressed a message to the Chamber of Deputies to inform it "categorically that he would recognize in it no pretended constitutional powers to control the executive." Deliberately silent and mysterious, expressing himself in strange terms, delighting in archaic rhetoric, living quite simply, threatening some, appealing to others, always posing as the protector of the people, he tried to change what he called the "régime"—that is, the policy of his predecessors. He did not exile his foes as is the custom of other South American dictators, nor did he attack the freedom of the press; but where the life of the Argentine provinces was concerned, he assumed complete liberty. The cosmopolitan capital no doubt impressed him as more difficult to master, but in the interior of Argentina each state was subjected to "intervention" by the government for the purpose of establishing order—that is, to drive out a hostile governor on orders from Buenos Aires. Other Presidents had previously endeavored to exercise an absolute authority. After the period between 1861 and 1880, when such respected figures as Mitre, Sarmiento and Avellaneda distinguished themselves by their restraint, prudence, and respect for the laws, there followed another period in which the chief of state once more became a *caudillo*, brooking neither opposition nor criticism and governing by persecuting his opponents. Irigoyen pushed these perilous tendencies to the limit. He was the dark and haughty autocrat, sure of his doctrine and his methods. Rosas, the famous Argentine tyrant

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of whom Masefield writes, used to call his enemies "savages and dirty Unitarians." The modern radical chief did not hesitate to affront the parties worsted in 1916 with language which was less violent, it is true, but still calculated to produce civil war.

Irigoyen has been accused of emphasizing class divisions, stirring up hatred, and showing no respect for the country's past. The national budget, which in 1910 was 392,000,000 piastres (the Argentine piastre is worth about thirty cents) rose in 1920 to 482,000,000. The annual deficit was 100,000,000. The internal debt grew steadily, reaching a billion. Irigoyen intentionally surrounded himself with conservative elements. "The wealthy classes have lost their pride," wrote a deputy; but these were only a minority. The country's moderate opinion was against him. Though a Radical, he courted the Church, which is a power in the state. His enthusiastic admirers regarded him as a god-send. A group of the younger generation thought that the golden age, the period of great reforms, had arrived. Important newspapers, however, were quite ready to criticize him, and the most influential, *La Nacion* of Buenos Aires, more than once declared that the governments which the Radicals had set up in the provinces were sucking the treasury dry, that all the states except Santa Fé had fallen into the hands of the President's proconsuls. What would become of the federal régime if the interference of the central power continued to be so frequent? Economically the provinces are dependent on Buenos Aires. The capital and the state which is dominated by it largely control the national revenues. Now they, too, were brought into political tutelage. *La Nacion* declared that autocratic government, though once thought to have disappeared forever, had within the last five years displayed unexpected strength.

When the end of his term of office arrived, Irigoyen gave up the idea—which had been imputed to him—of reëlection, preferring to remain in the shadow and govern through the agency of his successor. But the expected did not happen. Alvear, elected President in 1922, though he, too, was a Radical, belonged to the patrician classes. A statesman of large views, he displayed great moderation in everything he did, though without abandoning his party. At a time when political passions seemed to have got beyond restraint, his appearance on the scene stayed the progress toward disaster.

At the present time Radical ranks are divided and include

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members who are hostile to the régime established by the "last dictator." Irigoyen seems to have lost a little of his prestige, while his successor is limiting his own party's exuberance and—without openly running counter to the Radical leader's course—is becoming an arbitrator between the traditional parties and the democrats who want to have done with the past. Personal rule is thus checked, though doubtless only for a time.

Brazil has been regarded as the country of wisdom. The Empire saved it from the crises that afflicted neighboring nations—anarchy, dictatorship, and the struggles of rival generals—and when in 1889 the Republic was proclaimed, life flowed along in its old channels without any very violent wrench. The liberty of the slaves had been decreed during the last years of the Empire and the basis of the social order was not suddenly transformed, as was the case in the South American republics that abolished slavery about 1850. A more gradual evolution was expected to result from this wise and far-sighted policy. The Republic for which the Monarchy under the philosopher-emperor Dom Pedro II had prepared the way, did not seem likely to be threatened in its development by weaknesses such as revolutions.

This, at least, was the hope. Did not the Senate provide a bulwark against the incitements of demagogues? Yet here in Brazil, too, in spite of these exceptional advantages, in spite of sixty years of order and respect for government, and in spite of the moral authority of the Emperor, the political personality of the chief of state is now dominant precisely as it is elsewhere.

Epitacio Pessoa, elected in 1918, was an extremely energetic President. He was an eminent jurist and had headed his country's delegation to the Peace Conference. Very active, and inclined to be dogmatic, he was no sooner in power than he began to display his love of authority. Was he really what it had been hoped he would be—an arbitrator placed above parties?

Political groups grew weaker in Brazil until none remained except the Conservative Republican Party, which likes strong administrations. Pessoa wanted to make the country progress, no matter whether Congress passed the laws he presented to it or not. He was accused of introducing arbitrary methods into the constitutional life of Brazil, for, being a very reserved man, he confided none of his grandiose projects to anybody. Important districts were set aside for cotton plantations and

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the material development of the country became the chief concern of the President, just as it had been that of other all-powerful chiefs of state. He went ahead with his work in spite of the laws and regardless of the way Parliament happened to vote. He organized the army and infused new life into it.

Now Brazil is a federal republic like the Argentine. The central government must have a powerful and trustworthy army to "intervene" in the affairs of the states and establish order in case of disturbance; for though revolution is rare in the capital, it is frequent enough in the provinces. The rebellions which have recently divided Brazil include military plots in 1922 and 1924, the mutiny of the dreadnought *Sao Paulo* not long ago, and revolutions in various states in the north and south. How is it possible to govern without appeal to the faithful legions in a land so divided against itself?

In 1922 Arturo Bernardes was elected President of Brazil. He at once showed himself another leader who likes unlimited power and will brook no opposition. Very pugnacious, he is thought to be too fond of proclaiming the existence of a state of siege, which after all ought to be a very exceptional measure. With a strong national army behind him, he is setting out to balance the budget and reëstablish the federal credit, which seems to have been somewhat shaken in recent years; and he believes that a central bank of issue will improve finances.

Bernardes has become almost a dictator. The parliamentary opposition to his government has been suppressed and in the present chamber (dating from July, 1924) the government can command a unanimous vote. The majority annuls the votes of elected deputies because they do not favor the administration. The President, an absolute chieftain with both legislative and executive power, is becoming more powerful than an absolute monarch,—and he is already said to be planning to have himself reëlected. In a recent message (November 15, 1924) Bernardes defends his policy on the ground that he is not moved by personal ambition but by the duty of preserving the established order. He wants to pacify, to organize, and to reform the Constitution, but unfortunately "negative endeavor" and "the spirit of hate" oppose his work. How can he abandon his country in her hour of danger? The struggle continues, though Bernardes is trying to allay it.

If Bernardes is reëlected nothing will be able to stand against

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his dictatorship. The political problem, from now on, presents itself to his mind quite simply. As he says in his message, there stand "on one side the men beaten in perfectly fair elections who are unwilling to submit to the will of the majority; on the other, the President, representing that majority, and the party called to govern the Republic, which owes a duty to the people." But who believes in the fairness of elections in Latin America? The minority is forced into revolution by a government that closes the doors of Parliament against it. In these countries with their imperfect political education, dictatorship and anarchy seem inevitably to succeed each other.

If highly developed states like Argentina and Brazil do not escape the general crisis, and if dictators there set up a "strong power" with all the consequences that follow administrations of violence and hatred, the tendency toward autocracy is still more sharply marked in the republics farther north where political experience is on a still lower level. In both Peru and Bolivia the President is exiling deputies and representatives belonging to the opposition. Liberty of the press is crushed, not because there is a censorship, but because the reprisals which follow even moderate criticism of the government's acts impose prudence on the editors of the big newspapers. The President of Peru, Augusto Leguia, caused the revision of the Constitution in 1919, which he himself had given the country—but which did not permit reëlection. Yet he has just been reëlected for a new term extending to 1929. Similar intentions are attributed to the President of Bolivia, Bautista Saavedra.

General Juan Vicente Gomez has for fifteen years been dictator of Venezuela, and when he is not directing affairs of state as President he continues to watch over them as the commanding general of the army, inspiring the acts of the government through his successor, the intermediary President, an *alter ego* wholly under his authority. His will is law in every department of public life. He has been called a tyrant guilty of the most refined cruelties toward his enemies, and the prisons are crammed with the foes of the administration. As dictator he maintains his influence and prestige by all means—even the most violent. He loves to entrust important positions to writers and ideologists and he is distrustful of foreigners. In his position of power he represents the people of the uplands, the *andinos*, a sturdy race

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who despise the people of the coast, whom they think weak and degenerate.

In the grip of dictatorships like these, political parties give up the idea of opposition and reorganize to suit the new condition of the country. Their influence is confined and limited unless it is devoted to the service of the established régime, and peaceful material progress becomes the object of all the government's efforts. In order to justify its illegal action, it devotes most of its activity to the development of national wealth, building roads and railways, attracting and protecting foreign capital, willingly placing itself under the tutelage of the United States and requesting technical aid in putting its finances straight. A positive view of things opposes itself to the old spirit and liberty begins to seem like a romantic prejudice. Peace, they say, and only peace, can save these threatened countries from going to pieces altogether; it alone can civilize them and make them rich. Moreover, add the defenders of these tyrannies, the United States has done nothing else throughout its history but work, increase the population, and heap up wealth. We must imitate that example. Never mind the democratic ideal which has deceived and divided us.

In Central America it is not the *caudillos* but the strong arm of the United States which watches over the destinies of the five republics. It would like to help them to union. Sometimes it supports dictators, sometimes it tolerates revolutions, and its policy has been severely criticized. Does it want peace or is it controlled by certain interests? In a statement which has elicited much comment, the United States Minister to Guatemala in 1920—prior to the defeat of the dictator, Estrada Cabrera—thus defined Washington's policy: "The steady policy of the Government of the United States is to encourage Constitutional Government and free elections in Central America." The sincerity of these declarations is not universally accepted, but evidence could be produced to support them as well as to disprove them.

Two republics, San Salvador and Costa Rica, have been models of steady political advance and, except for rare instances of personal government, have offered an example of order. As there are fewer half-breeds in these countries than in the other states, it is possible that racial homogeneity constitutes one of

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the requisites of progress. The intervention of the United States has been less in evidence here than elsewhere.

The case of Nicaragua has been much discussed by writers who condemn the methods of Washington. Since 1909 this republic has been under North American influence. By treaty, by military occupation, and by financial pressure its independence was undermined, until the Bryan-Chamorro Treaty, signed in 1914, set up what amounts to a protectorate. Washington complained that a dictator, José Santos Zelaya, was disturbing the peace of Central America, and in 1909 Secretary of State Knox asserted that under that leader's authority republican institutions had ceased to exist. In October of the same year Zelaya was exiled. He may perhaps have been a tyrant, but as a Mexican diplomat wrote not long ago, "it was his countrymen and not the United States whose duty it was to condemn him." And the revolution against him, instead of being prepared by North American agents, should have been "a manifestation of popular right against tyranny."

In Guatemala, the most important of the Central American republics, General Manuel Estrada Cabrera was dictator from 1898 until 1920. The power of this *caudillo* knew no limits. He was always reëlected, understood how to handle the United States, asked the advice of its government, and avoided all disputes with his powerful neighbor, Mexico. Since the Guatemalan Constitution of 1879 forbade reëlection, in 1899 he had it altered, and every attempt at opposition met with bloody repression. The conservative class seemed satisfied with its lot, and whenever the President was threatened with rebellion gave him its hearty support. There existed the same *ruere in servitium* that had characterized Roman decadence. Congress even declared that "the Spirit of Good" protected the President, and that "something supernatural" saved him from many perils! The dictator built a temple to Minerva near the capital and entertained the students there each year, but anything resembling free thought was kept under rigid control. In spite of this peace of violence, however, the material progress of the country was not the handiwork of General Estrada Cabrera; he wanted nothing but submission and did not encourage initiative. Leader of the Liberal Party, he nevertheless sought the support of the Church, although, on two occasions, priests—Father Gil and Bishop Pinol—condemned his policy. In spite of all this quiet

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and superficial order, however, great uneasiness prevailed in the country, and in 1920 the tyranny which had hitherto dominated by sheer terror seemed to be weakening. The dictator had lost his head and was indulging in practices of the grossest superstition. The National Assembly had voted for he union of Central American countries and the political parties were suddenly smitten with enthusiasm for the idea. "A new world" was expected to emerge from the European War. Might this not be the time of that transformation of Guatemala which had been awaited through so many dismal years? Slowly the Assembly became conscious of its power. It demanded reforms of the dictator—the release of political prisoners, freedom for the coming elections of 1922, and independence of the legislature and the judiciary. According to foreign testimony, an extraordinary restraint marked all these debates. The United States was asked to intervene with the President in favor of the "Constitutional Progress" of the country, and to gain time the dictator promised reforms. Then Congress requested him to leave the country and named Carlos Herrera as President. Part of the army, faithful to the tyrant, bombarded the capital, but the administration was completely defeated. Liberty was reëstablished and a new order began.

In Mexico dictatorship does not seem likely to become the method of government. After the long rule of Porfirio Diaz, reëlection was especially dreaded; but though the President may today retain his old powers and be practically a *caudillo*—often rough and rather inclined to despotism—nevertheless the principal leaders have given up the methods of earlier days and have renounced the idea of reëlection. They are now only temporary dictators, and the country is making some progress toward democracy.

But there are other problems for which the political parties must provide practical solutions. A form of socialism which is something better than a mere imitation of the Soviets, and which represents an effort at reform, is gaining ground. The new President, General Calles, who recently succeeded General Obregon, will doubtless continue his predecessor's work—the education of the Indians, the division of the *latifundia*, distribution of the land, and the strengthening of the small landholders. Will anarchy be avoided? Has Mexico's period of

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revolution and banditry come to an end? It was the heritage of the powerful dictatorship exercised by Don Porfirio Diaz, whose methods of government, known as "Porfirism," find imitators on every hand. Europe and America admired the complete peace of the country and its material progress under his leadership. No politics and much administration, that was the President's motto, and what he meant was the cessation of the old struggles, order guaranteed by dictatorial government, and the development of natural resources. A party whose members styled themselves "scientific" and who derived their inspiration from the French philosopher, Auguste Comte, supported the President in his efforts. An age of Positivism seemed to have arrived. There were to be no more clashes of ideas and no more metaphysical disputes, but instead order and wealth. Mexico's genuine progress amazed and attracted every one.

For thirty-one years—from 1876 to 1880 and from 1884 to 1911—Don Porfirio governed without knowing restraint. People had either to submit to his all-powerful will, hold their peace, or disappear. In 1876 he promised to make the "no reëlection" rule part of his program; but he soon forgot promises, and every four years when the time came to choose a new president, the old one, though he seemed weary and ready to lay down his high office, was always requested by the country to resume them. In spite of a few hostile voices, his zealous partisans forced him to remain. Was it not he who had built railways, established domestic peace, enriched the country, attracted foreign money, increased income and prevented deficits in the budget?

About the year 1900, however, after some twenty years of Porfirism, doubts of the future began to creep in, although the "silent" Parliaments did not dare to criticize the government's policy. A journal of the moderate opposition pointed out dangers. "There are many factors," it said, "which may in the future disturb the peace, especially the uncertainty which exists regarding the men who tomorrow must take over the reins, but who have had neither opportunity nor occasion to find themselves, to win attention, or to learn their own capacities. This uncertainty tends to give our domestic peace an altogether artificial quality and to rouse grave doubts of the future." The question, "After the President, what?" was always being asked. It was answered by the most tragic anarchy. None of Mexico's great problems were solved during that time of peace and quiet

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—neither public instruction, nor the organization of property, nor political education, nor the preparation of new men to govern. An historian of Mexico who studied the faults of Porfirism dispassionately wrote that a throng of flatterers led the President to believe that he was indispensable and that his personal interests and those of the nation were identical. These followers applauded everything—press persecutions, suppression of fundamental rights, contempt for public opinion, systematic falsehood. That is why, in spite of the fame of a deceptive quiet, the most terrible civil wars broke out when the dictator went into exile—wars in which the existence of Mexico and her civilization were menaced and public order seemed wrecked forever.

This latest development of dictatorial régimes in Latin America has been attributed both to the desire to imitate foreign examples and to the influence of the United States. Italy and Spain have given themselves over to dictatorship and their constitutional governments have undergone entire eclipse. This perilous policy is indeed being imitated in the New World, and the Chilean Directory appears to have taken the Spanish Directory as its model. But there the resemblance ceases. In Europe a social crisis, financial troubles, and the decadence of political parties, all due to the war, explain what has happened. But the Spanish régime is exceptional, and it is always announcing a return to normality. In America, on the other hand, it often happens that in a period of perfect peace, and after governing quietly for some time, a powerful personality who does not enjoy criticism or fears the free expression of opinion may place himself above the laws without any internal disorder to justify him. A lasting dictatorship is thus set up, with presidents for life, ruling by terror.

It is the fashion to say that these men who seize power "Americanize" the country, because they secure a peace which is lasting and genuine, though as a matter of fact far too quiet. "Americanization" in that sense is supposed to be a kind of pressure exercised by the United States over the states of Latin America, on the theory that order is a prerequisite to progress and that dictators are able to suppress anarchy. President Wilson in 1916, Secretary Hughes more recently, have declared that the great Republic will henceforth recognize no governments arising in Spanish America as a result of revolution, and that rule has

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already been applied to all the states of Central America. In Cuba the Platt Amendment (under which the Washington Government may step in if the native parties cannot reach agreement and armed revolt seems likely to break out) has greatly increased domestic tranquillity. Such intervention is correspondingly valuable. But, on the other hand, "strong" administrations profit by this policy, which is intended to serve the cause of public order. The United States, in spite of itself, is lending its aid to dictatorships, for in the undeveloped political life of these nations public opinion can often find no avenue of expression except revolution. The dictators offer a choice between silence and exile. They put down all opposition by violence and resist all limitation of their power. It has been maliciously observed that the administration of these republics consists of tyranny tempered by treason. If the United States in its effort to avoid anarchy tolerates the reëlection of presidents in countries which have no political liberty, they are enthroning dictatorship—that is, a kind of government out of which cannot emerge normal life, the untrammelled functioning of institutions, free discussion, and the development of a critical spirit. The rule that they have adopted must be made less rigid, adapting itself to the evolution of these states, and hindering the reëlection of presidents by refusing to continue diplomatic relations with them. Intervention of this kind is naturally open to dispute. But since intervention already exists, it ought to contribute to the development of these countries and not cause a recurrence of the worst aspects of the past.

Other causes, which lie deeper than imitation, may make the tendency to dictatorship more comprehensible. There is little political training, or indeed elementary education of any kind, in Latin America. The illiterate populace, except in some of the large cities, take no share in public life, but instead (in Mexico this is true of two-thirds of the people) obey submissively the instructions of a few leaders. A middle class develops very slowly. The agrarian rule of feudal times is still in force on the Argentine *estancias*, Brazilian *fazendas*, and the *haciendas* of other countries. Primitive industry and trade become a foreign monopoly. Everywhere there is a lack of equilibrium between social organization and the pretensions of political documents—on the one hand oligarchy, on the other a theoretically absolute democracy and equality.

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Moreover, cross-breeding has unsettled the soul of these nations. Two races have mingled in the descendants of the Spaniards and the Indians; and there are also the other Europeans, the Negroes, and the Chinese. Pan-German writers have often written scathingly of this confusion, which they dub a *chaos gentium*. In the interior, where the European immigrant does not penetrate, the new classes show the stamp of the Indian's melancholy, of his idleness, and of his sullen grudge against a social order which has been established for three centuries and against the conquerors who changed his way of living. The Indian has always lived in servitude—he obeys his *cacique*. The proprietor of a big ranch is his overlord, just as he would have been in feudal times—more an exploiter than a protector, a local tyrant, an authority whom the Government would defend at need against a possible Indian revolt. Subject to the caprices of a man invested with all power, the Indian, by nature silent and resigned, has got used to "strong" governments and has come to like them. The popular *caudillo* and the dictator represent the *caciques* of the whole nation.

That is the reason why there have been tyrants in these republics almost from the time when independence was won a hundred years ago. But they used often to be men with higher aims than the dictators of today. Garcia Moreno, the President of Ecuador, wanted to found a religious despotism, a true theocracy, and consecrate his country to the Sacred Heart of Jesus. In Argentina, Rosas preserved the unity of the country and has been compared to Louis XI, who overcame the barons and laid the foundations of the monarchy in spite of factions and disturbances. Morazan dreamed of bringing about a union of the Central American states, without which the existence of these little republics still seems doubtful. In Chile, Portales drew up an oligarchical Constitution which cared for the interests of the better classes and gave the land complete peace from 1833 on. Bolivar's lieutenant, Santa Cruz, dreamed of a confederation between the two neighboring republics of Peru and Bolivia. In Paraguay, the dictator Francia tried to civilize the people—or, rather, tried jealously to preserve the national characteristics—by isolating the country and by governing with a combination of justice and harshness. Carlyle loved this strange dictator "with his grim unspeakabilities," who might have been a Grand Inquisitor or an excellent Superior of the Jesuit order.

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These men were great figures, ruled by one central idea—the unity of the nation, the defense of the traditional order, and the state religion. But in our days it is always the same passion which drives strong men into absolutism. They are ready to suppress every liberty in the struggle to enrich the country and attract foreign capital.

Some writers would have us believe that no other kind of government is possible. What may have been necessary a hundred years ago seems to them fixed, once for all. According to the Peruvian poet José Santos Chocano, dictatorship is the only kind of government that can enforce domestic peace in the "tropical" zone. How, then, shall we explain the prestige of "strong" governments in the more temperate zone? A Venezuelan historian, Valerilla Lanz, has maintained the same thesis. He thinks that in the history of these republics the *caudillo* responds to a social need. In earlier days the illiterate and barbarous people had no conception of liberty. Their idea of liberty was disorder. The dictator was the "necessary policeman," a kind of "representative man." It was he who should master the inclination to anarchy and ensure peace. But was there no way of transforming this kind of rule, and did not this temporary peace pave the way for new dissensions?

However this may be, dictatorship as a method of political administration has by no means disappeared. As a great newspaper, *La Nacion* of Buenos Aires, sadly admits, "We were too optimistic; we thought our political progress was real." The ancient battle between barbarism and civilization is on once more, and an instinct hostile to solidarity seems dominant. These criticisms apply not merely to the Argentina of today but also, with a few exceptions, to all the republics. From north to south one may see primitive instincts being unloosed against order and culture.

Yet Latin America is not wholly given over to dictatorship and revolution. Interesting experiments in avoiding both anarchy and tyranny have been made in Colombia and in Uruguay, at the two extremes of the southern continent. There have been dictators in these countries too, but some of the *caudillos* have been able to change their political methods. Colombia has just celebrated a "festival of peace" marking the end of a period of twenty years without a revolution in a land where civil wars were once so frequent. The two parties, Con-

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servative and Liberal, collaborate in the work of government, and the minority, always represented both in the administration and in parliament, never dreams of disturbing the domestic peace. In Uruguay a *caudillo* who is at the same time a patrician, José Battle y Ordóñez, has made better use of his prestige than to govern as dictator. He has tried to stabilize political habits and to ward off future tyrannies. According to his belief, the President has too much power. Batlle y Ordóñez first attempted to improve matters by introducing the secret ballot in 1916, though the governmental party was handicapped by this reform. Then the power was deliberately divided so that there might be opposition to the supremacy of the chief of state. The new Constitution which was voted in 1919 set up beside the President a National Council of Administration, and by an ingenious system the executive power was delegated to both at once. The rôles were carefully delimited. The President is entrusted with foreign affairs and domestic order. The Council, which is composed of nine members, watches over the national finances, public instruction, labor, and hygiene. In spite of natural conflicts, the new régime has been working for five years and any tendency to dictatorship seems obviated.

The reasons for the difficulty, then, are perfectly clear—excess of personal power, authority without counterpoise, and presidential rule which inevitably leads to tyranny. Some of the republics, as I have shown, have already extricated themselves from these conditions. Dictatorship seems to have the effect of arresting moral progress, but there is beginning to show a reaction against such a perilous kind of government—a government which, after a period of transitory peace, ends always in anarchy and disorder. The gradual education of the masses of the people, and a growth in the feeling of their common interests, will no doubt hasten the evolution toward peace.

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THE WORLD'S GOLD

By Josiah Edward Spurr

AS MUCH gold was produced in the world in the twenty-odd years from 1894 to 1917 as in the four hundred years between 1492 and 1894. This is indicated by the fact that between the years 1492 and 1894 the world's production of gold was something over $8,000,000,000, of which about $4,000,000,000 remained as the world's gold reserve in 1894. By 1916 the world's gold reserve had increased to nearly $8,000,000,000, an increase of $4,000,000,000 out of a world production during that period (1894–1916) of about $8,000,000,000. During this period of about twenty years, therefore, about half of the gold produced remained in the available gold reserve of the world, or about the same estimated proportion as between 1492 and 1894.

These figures give a most striking illustration of the feverish exploitation of natural resources which characterizes our present-day industrial development. After the Californian gold discoveries in 1848 came those in Australia, Canada, Alaska, Siberia, and other regions. At first the greatest source of this flood of gold was from "placer" mining. De Launay estimated that from 1848 to 1875 placers produced 87 percent of the world's production: but these are now essentially exhausted, so that in 1918 Orchard estimated the placer contribution at not more than 10 percent. Then followed the period of rapid exploitation of "lode" or vein gold mines in various parts of the world—especially in North America, South Africa and Australia. The intensity of gold mining, which was only a symptom of the general intense development of mechanical civilization which characterized the same period, resulted in a world production, which, ever climbing, in 1896 passed the $200,000,000 mark; in 1899 was over $300,000,000; and in 1906 exceeded $400,000,000. In 1915 the world's production is given at $470,000,000, the high water mark for all time. In 1917 the production was $420,000,000; in 1918 it dropped to $385,000,000; in 1922 it was about $319,000,000; in 1923 it was about $367,000,000; and in 1924 it rose to $384,500,000.

To understand and foresee the trend of developments with regard to the gold supply, production and future reactions on the world's economic problems, it is necessary to realize that

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the world is now passing through an acute stage of exploiting its treasures of rich ores, and that these treasures are definitely exhaustible. Different minerals are exhaustible in varying degrees—coal and iron less so, metals such as gold, silver and platinum, lead, tin and manganese more so. And one of the reasons for the checking, in the last decade, of the sensational increase in the world's gold production, has been the actual beginning of exhaustion at the source of supplies.

At the present time, and for many decades past, the gold production of the world has been mainly from the United States and from the British Empire. Orchard has estimated that in 1913 the British Empire produced about 63 percent of the total world production (principally in South Africa, Australia, Canada, and British India), while the United States produced a little over 19 percent—together 82 percent of the world's production. No other country has relative importance. In 1913 Russia and Siberia produced about 6 percent, Mexico 4 percent; in 1921, Russia and Siberia produced $^{3}/_{10}$ of 1 percent, and Mexico, again, 4 percent of the whole.

No nation has ever aggressively and intensely exploited national resources over such a great area as has the United States; and the result is that its rich mineral resources show signs, in many instances, of having passed the zenith. In 1915, when the world had its highest gold production, the United States also was at its highest production (it then produced $101,000,000, or 21.5 percent of the whole); but since then the percentage has been constantly decreasing, till in 1924 it was only about $52,000,000, or 13.5 percent. H. N. Lawrie, writing in the *Mining Journal-Press* in January, 1925, observes: "In 1925 the United States will become a still less important factor in the world's production, and with the very large increase which has been made in the production of Canada, it would seem probable that in a few years the Canadian production might supersede that of the United States, unless some constructive remedy is applied to improve domestic conditions." (See Fig. 1).

Canada has indeed shown a tendency to increase its gold production. From an average which previous to 1891 was less than $1,000,000 annually, there has been a steady rise, of which one of the principal factors was the placer gold of British Columbia. In 1898, the year of the Klondike rush, the Canadian production jumped from $6,000,000 (1897) to nearly $14,000,000, and from

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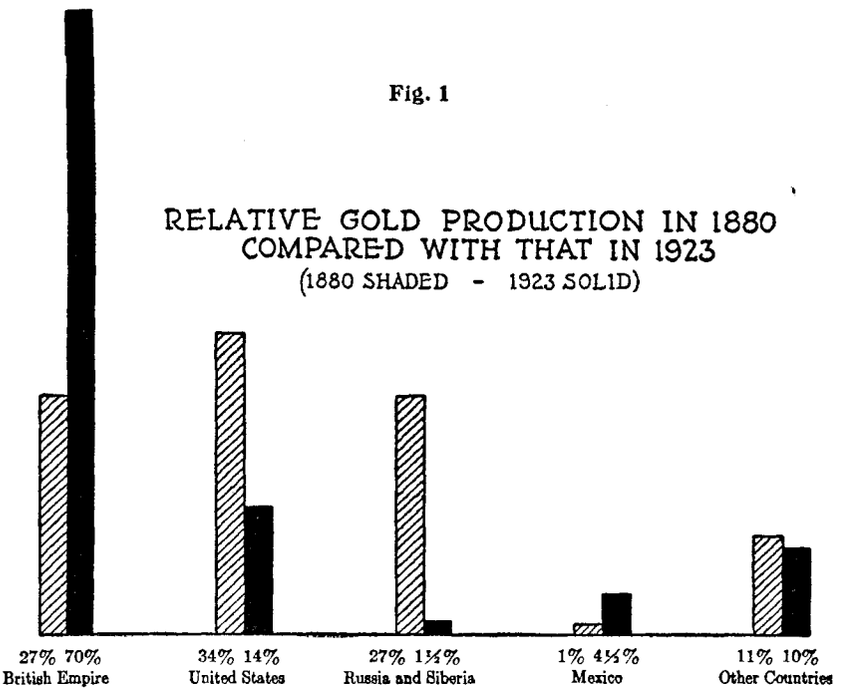
that to nearly $29,000,000 in 1900. As the Klondike placers waned, the gold quartz veins of Ontario, principally in the Porcupine district, came in to fill the gap, so that although the production along 1906–9 fell to less than $10,000,000 annually, in 1916 it was $19,000,000, in 1923 nearly $26,000,000, and in 1924 it reached $31,500,000.

In Australia, the gold rush following 1851 came upon the heels of the California rush. For many years the gold production of Australia rivalled or equalled that of the United States, but about 1905 it began to drop behind, so that by 1914–15 it pro-

Fig. 1



duced only half as much. The 1915 Australian production was over $49,000,000; in 1918 it was only $29,000,000; by 1921 and 1922 it had declined to about $15,500,000, and the situation has not improved since then ($14,500,000 in 1923 and less in 1924).

The production of British India, beginning in 1885, passed the $10,000,000 point in 1903 and reached its peak, $12,000,000, in 1913. In 1918 it was $10,000,000; in each of the years 1922 and 1923 it was about $8,000,000.

The most spectacular flood of gold in the history of the world has been that which, between 1900 and the present moment, has

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flowed from the British dominions in South Africa, principally the Transvaal. By 1916, the banner year, the South African production had risen to over $211,000,000; in 1923, it was $202,500,000, or about 53 percent of the world's production for that year. And in 1924 the South African production was $211,395,000, or nearly $9,000,000 above 1923.

Between 1880 and 1923 the total production of the British Empire, with all these varying factors, increased from 29 percent of the world's total of $106,000,000, to 70 percent of a world output of about $367,000,000. A great jump in the British percentage after 1896 was due to the acquisition of the South African gold mines, which passed to Great Britain as a result of the Boer War.

The relative standing of the principal gold countries is shown in the following table:

WORLD'S GOLD PRODUCTION

(*Percentages of Total Value*)

	1880	*1896*	*1918*	*1923*
British Empire	27	27	60	70
Transvaal	2	22		
United States	34	26	18	14
Russia and Siberia	27	11	3	1½
Mexico	1	4	4	4½
Other Countries	9	10	15	10

The statistician, some of whose conclusions are given above, interprets past events; the geologist-engineer may help in forecasting the future; and the different pieces of knowledge from all sources combined may be illuminating as to present outlook, conditions and policy. As to the future, I must for lack of space content myself with stating baldly that, in my opinion, the relatively subordinate position which the United States has assumed since about 1890 will be permanent. Great Britain passed the United States as the greatest gold producing nation about 1898, when it acquired in the Transvaal the richest "bed-rock" mines (a term opposed to the gravel mines, or "placers") of all time. In fact, were it not for South Africa (including the Transvaal and Rhodesia), the British Empire in our 1918 figures given above would have contributed only 14 percent instead of 60 percent, for South Africa alone contributed 46 percent of the world's output. In that year British India produced about

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3 percent, Australasia 7 percent, and Canada 4 percent. Of the total 1924 world production of about $384,500,000, South Africa is estimated to have produced $197,825,000, or over 51 percent. The Canadian production for 1924 is estimated at about $31,500,000, or 8 percent of the world's production.

Of the chief contributors to the British gold supply, Australasia appears to be about in the same predicament as the United States, being a country where certainly the cream of the gold resources has been taken away. Barring the discovery of new and important fields, the production of Australasia is not expected to increase, any more than is that of the United States. British India has shown no increase in production for twenty years. The sources of supply are chiefly in one district—the Kolar field—and future increases are not to be predicted. The enormous 1924 gold output of the Rand in South Africa comes from mines which, as a rule, are past their zenith. They now are largely worked at depths of several thousand feet, having exhausted their more accessible ores. South African gold production has been immensely aided by the depreciation of English currency, which has caused gold to be sold at a premium in London; and since labor and supplies have been paid for in the depreciated English currency, the gold mines have had a substantial margin which has not been available to the miner in the United States, whose currency, being rated "on a gold basis," has been paid to the miner dollar for dollar—that is, paper dollar for dollar of gold by weight. But the South African miner who brought in a gold pound has been receiving a pound and a fraction in British paper currency, depending upon the pound quotation in terms of dollars. With the return of the pound to a parity with the dollar, which is expected in 1925, this source of profit to the South African gold miner will disappear and its disappearance will be an adverse factor. Further economies and more scientific management may partially offset the disadvantages, but in the long run we can only expect the South African gold production to diminish. Of the important British sources there remains Canada, which may well maintain or increase its present production for some years. Canada, too, much more than Australia and the United States, has an excellent chance of discovering new gold-mining districts, for she has an immense unprospected territory. But even taking that possibility into consideration, as far as we now can tell we must assume that in the course of ten or twenty

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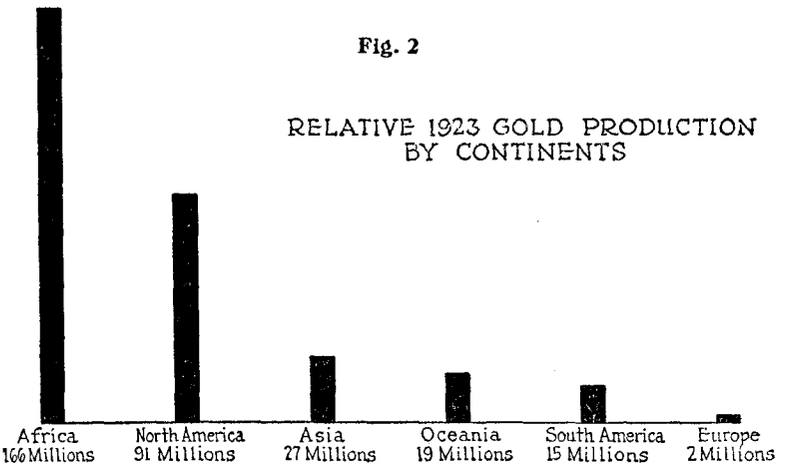
years there will be a decrease in the gold production of the British Empire also.

As to other countries outside of the territories of the United States and Great Britain, I do not expect Mexico to produce gold sensationally in the future. Her heyday of gold production was when the El Oro district was in full blast—when the production, from 1908 to 1912, was over $20,000,000. But by 1918 it was less than $17,000,000, and in 1923 only a little over $16,000,000.

South America has for a long time maintained a fairly steady output of gold, principally from Brazil, Chile, Colombia, Peru, and Guiana. The total South American production was nearly $12,000,000 in 1912, $14,000,000 in 1918, and $15,000,000 in

Fig. 2



1923. Colombia, whose gold is mostly from placer sources (dredges) has increased her output from nearly $3,000,000 in 1912 to $6,000,000 in 1918, with nearly as much in 1923. Altogether, the average of the South American production should be fairly well maintained for some time.

Perhaps Siberia offers a source for a future increase of gold production. This region produced enormously and steadily for several decades up to the outbreak of the Great War. The production from 1880 to 1916 was between $20,000,000 and $30,000,000 annually. The war and the policies of the Soviet Government reduced the output, so that it was only $1,000,000 in 1921, though it rose to $5,000,000 in 1923 and in 1924. It is probably true that with a good government Siberia can resume its old status and hold it for years.

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Surveying the whole field, with due humility in view of our incomplete knowledge, and taking account of possible and even probable surprises, it appears likely that the gold production of the world is, and has been for some years, in the neighborhood of its zenith; further, that the tendency henceforward will be to decline rather than increase. Mining, unlike all other industries, is an act that can never be repeated twice in the same place. So that, giving a long look forward, we at least can see clearly that while the growth of population and industrialism will constantly create vaster amounts of commodities to be dealt in through the world's currency mediums, the relative supply of gold whereupon to base these currencies will grow progressively less. Speaking generally, we appear to have reached the summit of the gold production hill. We look forward and down; for while it is conceivable that the annual production may still increase, it will not in the long run do so in proportion to the growth of wealth and trade.

The gold stocks of the world, in the form of money and bullion, amounted at the end of the calendar year 1923 to $9,407,761,000—nine and a half billion dollars in round terms—of which the United States held $4,247,201,000, or nearly one-half. The rest is widely scattered, Great Britain having $759,-174,000, or about 8 percent; France $709,479,000, or some 7½ percent; Germany $119,300,000, or somewhat over 1 percent; Argentina $472,161,000, or over 5 percent; Canada $227,964,000, or over 2 percent; Italy $215,697,000, or 2 percent; the Netherlands $233,876,000, or over 2 percent; Spain $487,687,000, or 5 percent; Switzerland $142,269,000, or 1½ percent; and so on. Taking the principal components of the British Empire, or Commonwealth of Nations as it is more recently called—Great Britain and Ireland, India, Canada, South Africa, and Australia —there was a total monetary gold stock of $1,432,760,000.

More significant than a country's gold stock relative to the rest of the world is the gold stock per unit of population. Viewing the above countries in this light we find that at the end of 1923 the per capita monetary gold stocks of the countries mentioned were: Argentina $54, Australia $39, United States $38, Switzerland $36, Netherlands $33, Canada $25, Spain $23, France $18, Great Britain $16, South Africa $8, Japan $8, Italy $5, Germany $2. (See Fig. 3.)

The per capita gold supply of the principal component parts

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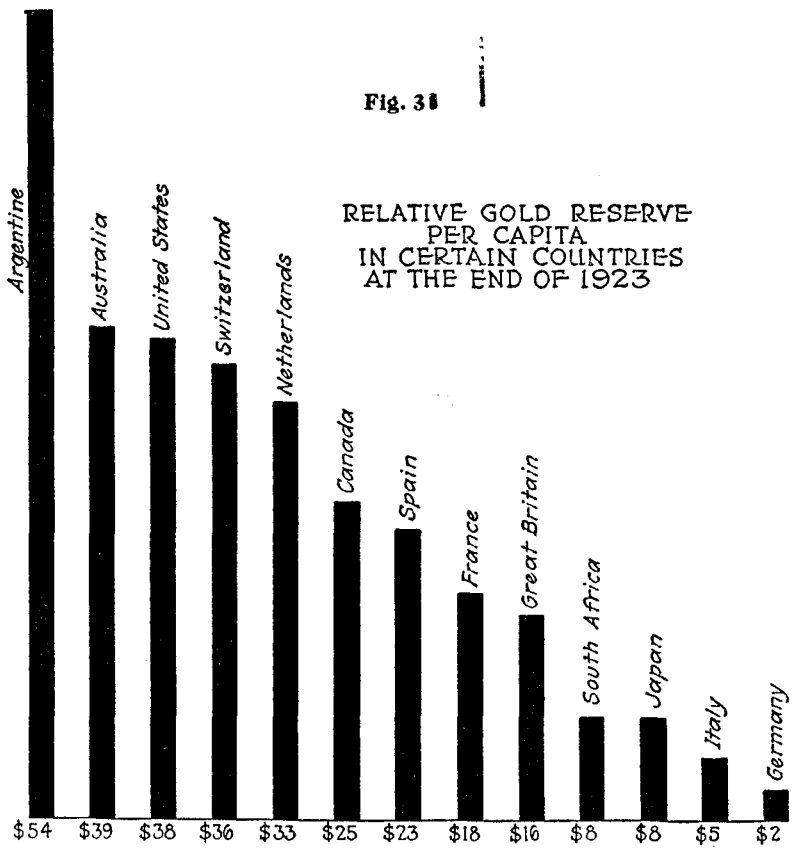
of the British Commonwealth, above noted, was about $3½; or, if we eliminate British India to make a fairer comparison, nearly $18. And the instance of British India shows that the per capita comparison is only relative between peoples of equal industrial development, activity and trading wealth, for the per capita gold reserve of 36 cents per capita for the three hundred million people of India certainly does not impair the

Fig. 38



standing of Great Britain and the dominions. Or, to state it in another way, the need for money—that is to say, gold—is in proportion to the amount of commodities handled, a factor which varies enormously with the per capita productivity of individuals and nations and with the activity of trade. It also varies immensely at different stages of the world's industrial evolution. Since the productivity of the average individual in progressive nations has been enormously increased by mechanical devices in

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the last century, such nations will need a larger per capita supply of money to effect the distribution of their commodities.

There is no better illustration of this thesis than the United States, which showed a gradual increase in per capita gold stock from around $3 in the early seventies to between $18 and $19 in the years 1908–13, the so-called normal pre-war period. Due to unsettled world conditions, it reached in 1924 nearly $40 per capita, as against $19 in 1913. Had it not been for the Great War, the pre-war curve indicates that the 1925 gold per capita would naturally have been around $24 or $25, with a normal gold reserve of about $2,800,000,000 as against the present stock of $4,490,807,000, brought on by the industrial war-anaemia of Europe. But this figure of $2,800,000,000 is nearly a round billion greater than the gold stock of 1913; and if industrial development and population grow—as they both are doing—the United States in ten or twelve years should really need, for the proper transaction of its business on a gold basis, as much gold reserve as it now somewhat unnecessarily and temporarily holds. By the same reasoning, at the close of 1923 (on the above assumed desirable basis of $25 gold per capita) Great Britain and her dominions of Ireland, Canada, South Africa, and Australia should have had a reserve of nearly $2,000,000,000, or over $500,000 more than was actually at hand. In addition, Continental Europe (even excluding Russia and Turkey) should need for its three hundred million of population, even at $20 per capita, a $6,000,000,000 gold reserve, instead of the $2,200,000,000 which it now holds or did hold at the close of 1923. It would therefore appear that at the close of 1923, North America (excluding Mexico) and Europe (excluding Russia and Turkey) together with Canada, South Africa, and Australasia, should have had a gold reserve of over $10,500,000,000. In point of fact, there only existed $9,500,000,000 in the world, so that the needs of Asia and all the rest of the world are not taken into consideration. (Japan's gold stock at the end of 1923 was $602,188,000, or $7.66 per capita.)

Altogether, it would seem that instead of there being too much gold in the world in comparison with conditions twenty, forty, sixty years ago, there is too little, in spite of the great increment of gold stocks and production since 1890.

Since the Great War, gold production in the United States has been unfavorably affected by the high commodity price level,

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which means relatively high costs of mining, while the price of the product remains fixed. On the other hand, South Africa, British India and, to some extent, Canada, have profited by the depreciation of the pound sterling, for their costs have been in depreciated currency, while they have marketed their gold at par. Until the period of post-war adjustment clears away, therefore, gold mining will also be busy adjusting itself. War brings high prices largely because it diminishes the supply of commodities in relation to the demand, since men are leaving constructive work and using up their energy in destruction; and the time it takes to return to normal economic peace conditions depends upon the amount of construction lost and of destruction wrought. The adjustment took ten years after the Civil War; today, six years after the Great War, adjustment is still in progress. The world supply and consumption of commodities relative to the available gold has decreased since pre-war times, and this is one of the chief reasons why commodities are still high in price. If average peace and prosperity abide with the world in the next few decades, we can foresee a great increase in the production and consumption of commodities in general. But for gold, as above stated, we cannot see any commensurate increase. The indications are that the production trends of gold and of commodities in general will become more and more divergent as time flies, and it is very possible that the world will never again see so large a production of gold relative to the production of other commodities as marked the period from 1898 to 1915.

In the long run, therefore, as measured in gold, the world commodity price index should tend to sag. As it does so, the cost of gold mining will be lessened, and this will tend to increase gold mining and production, and thus offset the secular decline. Another offset to this secular decline will be the constantly greater efficiency and economy in operating mines. But though these checks will flatten out the general declining tendency, they cannot obviate the progressive exhaustion of gold mines, while the increase of general commodity production will rise without any visible limit. Another factor to be considered, which will tend to accelerate the increasing relative shortage of gold money, is the use of gold in the arts, whereby much of it is lost. As observed above, only about half of the recorded gold produced now remains in the treasuries of the world. The world's average

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consumption of gold in the arts, including jewelry, was estimated in 1922 by Samuel Montagu and Company, of London, at $100,000,000 per annum. But the report of the Director of the U. S. Mint for 1923 shows that during that year the amount of gold used in the arts in the United States was $69,000,000, of which $40,000,000 was virgin metal. Since the total production of the United States in 1923 was $50,000,000 ($52,000,000 in 1924), it is seen that only $10,000,000 remained to swell the world's gold reserves.

With the increasing relative scarcity of gold as compared with money requirements, the general tendency will also be toward a smaller gold basis or "cover" for currency, even among those nations which are "on a gold basis." The possession of gold reserves will be increasingly a matter of export balances, that is to say, a matter of competition in productivity and economy among nations. World trade will tend to distribute the abnormal gold reserves of the United States among the other highly progressive nations. Meanwhile the indications are that for years to come the British Empire will be in an especially favorable position, through its great gold production, and that the position of the United States in that respect will be definitely unfavorable.

Such, briefly,—without any attempt to indicate, still less to analyze, the serious economic and social problems which are bound up with our present monetary system and its gold base,—is the situation with which in the not far distant future civilized intelligence must grapple.

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THE MURDER AT SARAJEVO

By R. W. Seton-Watson

THE murder of the Archduke Francis Ferdinand and his morganatic consort at Sarajevo on June 28, 1914, was merely the spark that fired the powder magazine of Europe. The Southern Slav Question, of which it was a symptom, was one of the most burning of pre-war problems, and must take rank with Franco-German, Anglo-German and Austro-Russian rivalry as a fundamental cause of the war. Though overlooked till very recently by Western opinion, it was by no means a new problem: for its origin and explanation are to be sought in the Turkish conquest of Serbia and Hungary, followed by the long struggle of Hapsburg Imperialism to eject the invader from its dominions and in turn to establish its hegemony over the Balkan Peninsula. It must not be forgotten that for over a century before Serbia first rose against the Turks in 1804, the main centers of Serbian culture had been in Hapsburg territory, that the Serbs and Croats of the "Military Frontiers" were the spearhead of the Austrian fighting machine, and that it was not till Vienna had rejected the overtures and appeals of Kara George that the nation began to turn more and more to Russia for help. In the nineteenth century Serbia became a pawn in the diplomatic contest of Austria and Russia for influence in the Balkans.

But while the powers were watching the sickbed of the Turk in hope of dividing his inheritance, the problem was still further complicated by the growth of national feeling. Serbs from Hapsburg territory played a notable part in the first organization of the young principality: Serbs from Serbia flocked to the aid of their kinsmen in the racial war of 1848 against Hungary. The Illyrian idea, kindled by Napoleon's brief experiment in state-building on the Eastern Adriatic, was formulated afresh by Jelatchitch and Strossmayer, as a conscious effort for the union of all branches of the Southern Slav race: while the reforms of Vuk and Gaj prepared that linguistic unity which had to precede the political.

It was the long Eastern Crisis of 1875–8 which first brought Austria-Hungary and Serbia into a real conflict of principle, for it ended in the two purely Serbo-Croat provinces of Bosnia-

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Herzegovina (to achieve whose liberty Serbia and Montenegro had waged two unsuccessful wars) being handed over to the Emperor Francis Joseph under an European mandate. The new régime introduced material order, but it utterly failed to win the hearts of the people, and both they and their kinsmen in Serbia clung desperately and against all reason to the thesis that the occupation was only provisional.

The twenty-five years following the Berlin settlement are the most disheartening in Jugoslav history. Serbia, abandoned by Russia, and governed by a corrupt and unprincipled neurasthenic, King Milan, became the abject vassal of Viennese policy and at its dictation made a treacherous attack upon Bulgaria which not only failed, but poisoned the whole future development of the Peninsula: while Croatia under Khuen Héderváry was reduced to a satrapy of Budapest.

But in 1903 a change came all along the line. The corrupt Obrenovitch régime was overthrown in Serbia, a new era of Serbo-Croat coöperation opened in Croatia, the Kállay régime ended in Bosnia, and everywhere a younger generation was rising, inspired by the dream of national unity.

Real statesmanship in Vienna could still perhaps have solved the problem in a Hapsburg sense, but neither Francis Joseph nor his entourage showed any such quality, and the mad policy of Magyarization by now in vogue in Budapest envenomed the situation still further. The tariff war of 1907, due especially to the Magyar agrarian influence, hit the ex-Serb peasant in his material interests, while the annexation of Bosnia in 1908 touched his national sentiment to the quick; and the scandals connected with the Zagreb and Friedjung trials revealed a sinister design on the part of Austria-Hungary, based upon wholesale espionage and forgery and directed equally against Serbia and the Serbs and Croats of the Dual Monarchy. Magyar policy culminated in 1912 in the suspension of the Croatian constitution and the appointment of a dictator. It was small wonder if the contrast between this situation and the victories of Serbia and her Balkan allies in the same year kindled public opinion among the Jugoslavs to white heat and convinced them that Serbia was destined to play the part of a new Balkan Piedmont against the old Austrian oppressor. In particular the university and public school youth throughout the Jugoslav provinces was restless, excitable and out of hand. Those who could

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escape volunteered for the Serbian army, those who remained dabbled increasingly in revolutionary ideas. Such was the atmosphere which produced the crime of Sarajevo.

In Austria-Hungary meanwhile there was no constructive policy. The Emperor, always addicted to half-measures, was more negative than ever in his old age. The Heir Apparent, Francis Ferdinand, entertained grandiose designs of a "Great Austrian" state, meting out justice to the subject races at the expense of the Magyar oligarchy: but his uncle distrusted and detested him, and he was powerless. The Magyars and the military party under Conrad, little though they had otherwise in common, combined to oppose all idea of conciliation, and Berchtold's policy, though weak and easily deflected, rested on the assumption that war with Serbia was inevitable both for internal and external reasons, and was already desperately searching for a pretext when Sarajevo came to supply it.

In March, 1909, an Austro-Serbian war was averted at the last moment by Russia's capitulation to Berlin; only an accident revealed the forged documents by which the Ballplatz was preparing to justify drastic action against the Jugoslavs. In November, 1912, the imaginary Prochaska incident was invented to prepare opinion for a war which the sudden Balkan victories made it advisable again to postpone. In the spring of 1913 Austria-Hungary was again only held back from war by the powers consenting to an international naval blockade of Montenegro. In June she tried to attain her end indirectly by inciting Bulgaria to her famous attack upon Serbia and Greece, but the result was to strengthen Serbia still further and to loosen the ties between Rumania and the Triple Alliance. In August, therefore, Austria-Hungary was preparing to attack Serbia and overthrow the Bucharest settlement, but was reluctantly deterred by the opposition of her own allies, Italy and Germany, and by the depressing effect of the Redl espionage scandals upon the old Emperor. In the following winter he again tried to pick quarrels with Serbia over the Albanian frontier and the Orient Railway, but was disarmed by Serbia's definite surrender. None-the-less, the diplomatic correspondence published since the war and such memoirs as those of Conrad von Hötzendorf abundantly show that early in 1914 Austria-Hungary was trying to convince Berlin of the need for drastic action against Serbia, when the murder at last provided an adequate excuse.

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On the other side of the account may be placed the triple offer of Serbia to refer her dispute with Austria-Hungary to the arbitration of the Hague—during the Bosnian crisis of 1909, at the Friedjung Trial of the following winter, and at the crisis of July, 1914—and also the offer made by Pashitch to Berchtold through Masaryk as intermediary during the winter of 1912, to negotiate an Austro-Serbian agreement, an offer to which Berchtold did not even deign to reply.

In a word, the murder was due to the internal unrest in Austria-Hungary produced by misgovernment and lack of statesmanship. Under such circumstances Serbia's very existence as an independent and progressive state was obviously a challenge. But for that it is hardly possible to blame Serbia.

I

Limitations of space make it impossible to deal with the dramatic details of the murder itself: and I propose to concentrate upon two main points—one, why the Archduke went to Bosnia; and, two, what was the real motive force of the crime.

The decision of the Archduke to visit Serbia was taken as early as January, 1914, and was made by him in his capacity as Inspector-General of the Army, in consultation with the military chiefs. It would seem only natural that he should at least have invited the opinion of Dr. von Bilinski, the Joint Finance Minister, within whose competence the two annexed provinces lay. But in point of fact the latter was altogether ignored and first learned of the proposed visit from the Governor, General Potiorek, who notified him of the Archduke's desire that it should follow exclusively military lines. Bilinski recounts in his memoirs that about this time anonymous letters, threatening murder and revolution, were being fairly frequently received both by the ministers and by the Archduke, and that he himself, while not taking very seriously persons who advertised their intentions beforehand, thought it none the less advisable to discuss precautionary measures. He therefore instructed Sarajevo to sound the local authorities as to their views on such a visit—with the result that practically all of them declined responsibility for the consequences. These reports were duly transmitted to Vienna and to the Court, but brought down upon Sarajevo a sharp reprimand: the responsibility of the civil authorities, they were told, was neither desired nor needed.

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The result was actually to strengthen the Archduke in his resolve to visit Bosnia, not merely because he was exceedingly headstrong and resented anything that might seem a reflection upon his personal courage, but also because he regarded Bilinski with dislike and suspicion, as a close confidant of the Emperor and as the chief exponent of a more moderate régime in Bosnia, as against the more drastic methods favored by Potiorek and the military chiefs. Bilinski was therefore pointedly ignored in all the arrangements of the visit. So far was this carried, that a printed program of the visit was circulated to all the ministries, but *not* to the Joint Ministry of Finance! During the visit a state ball was given at Ilidzhe (the health resort outside Sarajevo, at which the Archduke and his wife stayed), but by the express orders of Francis Ferdinand himself no invitations were issued to any officials of the Finance Ministry—an affront so amazing and so subversive of prestige and discipline as to suggest that its author contemplated in the near future some drastic transference of authority in Bosnia, as part of his general design for a "Great Austrian" state. Moreover, the details regarding the journey of the Duchess and her official reception at Sarajevo were not referred to Bilinski as Minister, and he claims to have read them for the first time when he opened his paper on the fatal Sunday morning. For this, it is true, there was a further explanation in the fact that for the first time on Hapsburg territory royal honors were to be paid to the Duchess of Hohenberg, and that by eliminating the civil authorities from all say in the matter Francis Ferdinand had found it easier to force the hand of the Emperor and win his passive consent to a precedent which but for the tragedy would have had important consequences at Court.

All arrangements, then, were in the hands of Potiorek, and at his door must be laid the failure to provide adequate protection. Not merely was the police force of the Bosnian capital hardly strengthened for the occasion, but though 70,000 troops were concentrated within no great distance for purposes of the manoeuvres, there was none the less no proper lining of the streets. Indeed we can safely endorse the words of that tried servant of Francis Joseph, Baron Margutti, who declares that the inadequacy of the precautions "baffled every description." The best proof of this is to compare them with those adopted on the very similar occasion of the Emperor's state visit to Sarajevo as recently as 1910. Every street along which he passed was

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lined with a double cordon of troops, the town swarmed with special police and detectives from headquarters in Vienna and Budapest, who tested the minutest details of the already elaborate system of espionage and control established by the Bosnian police. Strangers were not tolerated except after close inquiry, and hundreds of individuals in Sarajevo were forbidden to leave their houses during the Emperor's stay. The contrast between 1910 and 1914 amply justifies us in speaking of criminal negligence on the part of those Austro-Hungarian authorities with whom the care of the Archduke lay.

Nor can Potiorek plead in excuse his failure to realize the gravity of the situation. For it was he who, as Governor of Bosnia, had over a year before introduced repressive measures against the Serbian population, and had since then continued to urge the need for their extension and to denounce to Vienna the folly of Bilinski's more conciliatory policy. He was fully aware that Bosnia was seething with discontent which needed no stirring from the outside in order to boil over; that the choice of Bosnia for the scene of manoeuvres was widely regarded as a menace, or at least a warning, to Serbia; and still more that the choice of "Vidovdan" for the Archduke's official visit would be especially resented as a direct challenge to the Serbian national idea. After a lapse of five centuries, Kosovo had been avenged and could be celebrated freely for the first time since the liberation.[1] And on that very day the representative of an alien dynasty seemed by his presence to be reaffirming the enslavement of provinces for whose delivery Serbia and Montenegro had twice gone to war in vain. There is little doubt that Potiorek regarded this sentimental factor as an added reason for the state visit, just as he and Conrad and the whole military hierarchy held a speedy reckoning with Serbia to be inevitable and desirable.

Small wonder, then, if in many circles, both at home and abroad, there should have been a disinclination to accept mere negligence as an explanation of the crime, and if the theory of official complicity on the part of Vienna or Budapest gained considerable credence. Moreover, the ill-concealed relief, sometimes bordering upon delight, at the ill-fated couple's removal, which was displayed by more than one member of the Imperial

[1] In 1913 "Vidovdan" (St. Vitus's Day), the anniversary of the battle of Kosovo, came at the height of tension between Serbia and Bulgaria—the very day before the latter's treacherous night attack started the second Balkan War.

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family, by high court dignitaries and by many prominent figures in the political and journalistic world, seemed to lend plausibility to the theory when it was publicly advanced early in the World War. But nothing which even remotely deserves the name of evidence has ever been adduced in proof, and each of the many suspicious details is susceptible of a simpler and less sensational explanation. There seems to be little doubt that more than one attempt was made to dissuade Francis Ferdinand from the journey, and also that on the eve of departure he had strong presentiments of coming evil. In this connection it is worth quoting a remark which he himself let fall after the reception at the Town Hall and which was overheard by Mr. Tchokorilo, the local representative of the *Times*—"Now I understand why Tisza advised me to postpone my journey." In point of fact, both a defiance of danger and a disregard of warnings on the part of royal personages belong to the commonplaces of history, from Caesar to Henri Quatre and Alexander Obrenovitch. But in this case the main cause, apart from his own headstrong behavior, was the conflict between the military and civil authority, already described. It was a final and classic example of the boundless "*Schlamperei*"[2] (no English word can fully render the idea of incurably bungling and haphazard methods which this conveys) characteristic of the old régime in Austria.

If the tragedy was very largely due to the incompetence of the authorities in Sarajevo, their conduct during the next forty-eight hours was even more astonishing. On the morning of June 29 the riff-raff of the bazaar, supplemented by a handful of Croat clerical students, began to demonstrate before the leading Serb centers in the town; and as no steps were taken to disperse them, shouts and insults were soon followed by acts of violence, and from mere window-smashing the crowd passed to wholesale destruction and pillage. Thus the Serbian school, the Prosvjeta Society, the offices of the two Serb newspapers, *Narod* and *Srpska Rijetch*, the Hotel Europa and quite a number of shops and private houses belonging to prominent Serbs were systematically sacked, with the almost open connivance of the authorities. After the rioting had continued for some hours, General Potiorek proclaimed a state of siege: but though the damage was estimated at K5,000,000 ($1,000,000), no attempt was made to

[2] I remember discussing the whole affair more than once with Professor Masaryk in the early days of his exile, and this was the word which he also found most adequate to describe the situation in Sarajevo.

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bring the ringleaders to justice or to indemnify the victims. On the contrary, even the most reputable and conservative Serbs in the two provinces were held up to obloquy in the press of the Dual Monarchy, and fantastic stories circulated about their alleged treason. Similar excesses on a smaller scale occurred in most towns of Bosnia-Herzegovina. These incidents appear to have provoked a strong protest from the Joint Finance Minister, Dr. Bilinski, but the Governor's position remained unshaken, and neither he nor any of his subordinates was punished for their failure to maintain order. Indeed Potiorek replied in quite unrepentant tones, denying any shortcomings on the part of police or *gendarmerie*, but admitting that "very abnormal conditions" prevailed in the two provinces and that "the ground was being undermined more and more from day to day," and insisting that the only remedies were to close the Bosnian Diet and to take up Serbia's challenge.[3]

II

A survey of the press feud which raged between the two capitals of the Dual Monarchy and Belgrade in the weeks following the crime would throw much valuable light upon the respective methods and aims of Austria-Hungary and Serbia. But it is necessary to turn to the question of responsibility for the murder, and here we find that there are four possible channels of investigation.

First and foremost stands the charge of complicity which public opinion in the neighboring Monarchy leveled against the Serbian Government and which underlay the formidable ultimatum of July 23. On the other hand, the Serbian historian, Professor Stanojevitch, in his sensational pamphlet[4] ascribes the outrage to three distinct groups—the nationalist students in Bosnia, the military conspirators in Belgrade and certain unspecified "Austro-Hungarian politicians." The first and third of these groups he dismisses in a few phrases, hinting that the rôle of the former is well enough known already, and is in any case "a question of technical nature," while that of the latter is never likely to be fully known, and he then concentrates upon the "Black Hand," whose importance is thus exalted out of all proportion to the true facts.

[3] Potiorek to Bilinski, July 6, in Conrad, "Aus Meiner Kriegszeit," IV, pp. 64–6.

[4] "Ubistvo Austriskog Prestolonaslednika Ferdinanda" (German ed.), "Die Ermordung des Erzherzogs," Frankfurt, 1923.

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I have already given my reasons for limiting the charge against Austria-Hungary to one of culpable negligence. Let me examine the other three possibilities.

It is impossible to avoid the conclusion that the Serbian Government was in a position of very great embarrassment, in which foreign complications were specially unwelcome to it. Only four days before the murder (June 24) King Peter, incapacitated by ill-health, had appointed as Regent his son, Prince Alexander, till then without direct political experience. On the same day the Pashitch administration, which had already in April committed itself to elections for a "Great Skupshtina" and a revision of the Constitution, had dissolved Parliament and embarked upon a desperate struggle with the opposition parties. That the Government should have chosen the opening of an electoral campaign for sharing in a foreign murder plot which was likely to produce war is grotesquely improbable: but there are many other reasons for doubting official complicity. The country was exhausted by two wars. The finances, carefully husbanded by Mr. Patchu, were not equal to further strain. The Albanian campaign in the previous autumn had shown the reluctance of the peasant soldiers to return to the colors, and it was now the eve of harvest. Military stocks were alarmingly low, as the next winter was to show. The Concordat with the Vatican had only just been signed, and delicate negotiations with Montenegro for the customs and military union and perhaps even a dynastic arrangement, were still pending. The position in the new Macedonian territories was far from consolidated, the civil administration was notoriously bad there, and there was extreme friction between the civil and military authorities.

The Serbian Government was, however, guilty of a grave blunder in not immediately forestalling Vienna's demands by instituting a searching inquiry of its own. This omission is only very partially explained by absorption in the electoral campaign. The complicity of Major Tankositch and Tsiganovitch became known at a very early stage, and it would at least have been good tactics, if nothing else, to take some action against two notoriously suspect characters. Inaction was all the more inexcusable, in view of the frank warning administered by Herr von Zimmermann, the German Foreign Under-Secretary, to the Serbian Chargé d'Affaires in Berlin as early as July 1. He emphasized the grave consequences of any failure of Serbia "to

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do her duty" by proceeding against suspect persons: in that case "one could not tell what would happen."[5] It is indeed impossible to deny Herr von Jagow's plea[6] that the Belgrade Government, though giving official expression to its horror at the crime, took no serious steps either to search for its authors or to check propagandist excesses. Disregarding the advice of its Minister in Vienna, Jovan Jovanovitch,[7] it remained inactive for three weeks, and when at last on July 20 it presented at Berlin a note formally inviting the German Government to use its good offices at the Ballplatz, and affirming a desire to meet Austria's demands wherever possible, it was already far too late to produce any effect either in Berlin or Vienna, and in point of fact merely brought down a severe snub from Jagow upon the head of the Chargé d'Affaires. The note was unexceptional in tone and concluded by promising compliance on every point save only where Serbia's "dignity and independence" might be threatened. Reading the ultimatum in the light of this document, one is instantly reminded of Berchtold's secretly expressed resolve to frame it in such a manner as would make acceptance impossible.[8] Moreover, unless the German Government had already identified itself with Berchtold's views, such a document would have provided ample ground for a peaceful settlement, for its terms could easily have been interpreted as committing Serbia to as stringent an inquiry as European opinion might desire. The only obscure point which it contains is the assertion that the Serbian Government had "at once declared its readiness to take legal proceedings" against any Serbian subject who might be implicated. It is quite true that the *Samouprava*, the official Government organ, gave abstract expression to such a view, when deploring the murder; but there is no evidence, either in the Serbian Blue Book or elsewhere, of any official action having been taken from Belgrade in this sense.

In point of fact, this passive attitude was entirely in keeping with the character and political tactics of the Serbian Premier. Mr. Pashitch has always preferred to wait upon events, rather than commit himself to a definite line of action, and he has also always shown a truly Oriental indifference to public opinion

[5] Lerchenfeld to Munich, July 2. D.D. IV, Anhang IV, No. 1.

[6] "Ursachen und Ausbruch des Weltkrieges," p. 96.

[7] See Serbian Blue Book, Nos. 23, 25, 31.

[8] See especially "Deutsche Dokumente," I, No. 29, p. 50, but also Austrian post-war Red Book, I, No. 8, p. 35.

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both about himself and about his country. The repeated failure to make the most of Serbia's case before Europe, even when it most lent itself to favorable presentment and when its enemies were active in misstatement, must be ascribed in large part to this indifference. Of all the subsequent collections of diplomatic documents the Serbian Blue Book holds a record for paucity of material and inadequacy.

Energetic action by Mr. Pashitch during the week or even fortnight following the murder would not of course have led the war party in Vienna to renounce its aims, but it would undoubtedly have deprived it of its tactical position and increased the chances of friendly mediation from the outside. To this extent, then, the Pashitch Cabinet must share the responsibility for what befell. It could no doubt plead absorption in an electoral campaign which threatened the whole future of the Radical Party, but a true grasp of European realities should have shown that infinitely more was at stake. Yet Pashitch remained passive, took no steps to put himself in the right at Vienna, and on the other hand allowed the reservists to be dismissed, took no measures for the defense of Belgrade and left the Commander-in-Chief, Voivode Putnik, to pursue his cure unwarned in an Austrian watering-place. All this serves to show that Pashitch was not preparing for war or even expecting it till the very end, but it convicts him of great remissness and lack of judgment.

There was, however, a further reason for the Serbian Government's inaction at this critical time, namely the rôle played by the "Black Hand." This secret society had been founded in 1911 by survivors from the group of officers which had assassinated King Alexander and Queen Draga in 1903 and which had been broken up very largely by British diplomatic intervention. Its real name was "Union or Death" (*Ujedinjenje ili Smrt*), and its adherents were drawn from those who frankly accepted murder and terrorism as the best propagandist weapons and were not content with the more open and respectable methods of social and educational agitation for which the *Narodna Odbrana* (or Society of National Defence) had been founded in 1909, after the Bosnian crisis. It may be pointed out in passing —as a proof of the unreliability of the Austrian Secret Service— that both before and after the Sarajevo outrage Vienna completely failed to distinguish between the two organizations, though anyone at all closely acquainted with conditions at

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Belgrade knew them to be not merely distinct, but directly antagonistic to one another and to be conducted by persons who were poles apart in outlook and policy. The *Narodna Odbrana* was founded on the initiative of the dramatist Nusitch, with the blessing of such tried statesmen as Milovanovitch and Ljuba Stojanovitch and the active coöperation of young idealists, and existed to combat illiteracy and encourage popular education, and hygiene, to establish village libraries, clubs and lectures, and above all to spread information and interest regarding national questions and all sections of the Slav race. This brought it inevitably into conflict with the Austro-Hungarian authorities, but there was nothing secret or subversive in its program or tactics, except in so far as all national movements are bound to be subversive in a mixed state.

Very different was the Black Hand. It was founded in the first instance as a kind of protest against the Government's refusal to authorize an active terrorist campaign in Macedonia, and its members were avowedly conspirators who ignored scruples and did not stick at crime. This tendency was increased by the melodramatic method of admission to membership. The candidate had to appear in a darkened room before a table draped in black, and take a high-sounding oath by the sun and earth, by God, honor and life, while the symbol of the conspirators was a rude representation of a death's head, banner, dagger, bomb, and poison-glass, surmounted by the motto "Union or Death."[9] The life and soul of this society was Dragutin Dimitrijevitch, a man of good education and attractive personality, brave, energetic and a fiery patriot, and possessing real powers of organization, but entirely lacking in balance or common sense and ruthless in his ambition. Personal vanity and a love of adventure also seem to have played their part, and he possessed sufficient magnetism and plausibility to rally round him some of the more unruly and reckless of the younger officers. These were troublous times for Serbia, and quite a number of the group distinguished themselves in the two Balkan Wars and came to play an increasing part in military circles. In 1913 Dimitrijevitch himself, now a colonel, became head of the

[9] For a full account of the Black Hand see S. Stanojevitch, "Die Ermordung des Erzherzogs" (1923), pp. 46–56; H. Wendel, "Die Habsburger und die Südslaven" (1924); D. R. Lazarevitch, "Die Schwarze Hand" (Lausanne, 1917); and my own article, "Serbia's Choice," in *The New Europe* for August 22, 1918.

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Intelligence Bureau of the General Staff, and all matters of espionage passed through his hands. How much the Government knew of the Black Hand's real organization and aims, it is very difficult to determine. But for every possible reason—moral, political and purely tactical—they looked upon it with disfavor and suspicion, and there was already acute friction between them early in 1913 because Dimitrijevitch and his friends, being primarily interested in Bosnia, favored concessions to Bulgaria. This friction developed after the Second War into a quarrel between the civil administration and the army commanders in Macedonia. The new officials appointed from Belgrade were quite unequal to an admittedly difficult task, and as the Serbian Constitution was not at first extended to the new territories, there was a virtual interregnum in which all kinds of sharp practice were tolerated. The dispute sometimes assumed most petty forms, and early in 1914 a number of officers associated with the Black Hand demanded that a ministerial order giving precedence to the civil authorities should be rescinded. By this time the Government was thoroughly alarmed by the aggressive tactics of the Black Hand, and though now seemingly near the end of its resources, made a last effort to reassert its authority. In the spring Protitch, the masterful Minister of the Interior, seized the club's premises—a step virtually equivalent to a declaration of war. Dimitrijevitch appears to have wished to accept the challenge and to attempt a sort of military *coup d'état:* and only the intervention of the Russian Minister, M. Hartwig, who induced the Government to withdraw the objectionable order, averted more serious trouble. Protitch's action, however, deserves special emphasis, as one of the many proofs that the Serbian authorities, so far from being in league with the terrorists, were in acute and open conflict with them.

On the other hand it is necessary to bear in mind that "Union or Death" had the support of many officers who were not terrorists, and that Dimitrijevitch only revealed his real aims and secrets to a small inner ring of tried conspirators. It has been alleged[10] that as early as 1911 he had sent an emissary to Vienna, with instructions to attempt the life of Francis Joseph or Francis Ferdinand, but the individual selected was in a highly consumptive state, and was never heard of again by the plotters in

[10] Stanojevitch, p. 50. Unfortunately Prof. Stanojevitch never adduces any proof for this and similar statements, so that we are left entirely in doubt as to the source.

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Belgrade. Hence, though widely known for his love of intrigue and reckless patriotism, "Apis," as Dimitrijevitch was popularly called, had not yet embarked upon terrorist action, save for the encouragement given to *komitadji* bands during the Balkan campaigns; and this of course falls rather under the category of guerilla warfare. It was among these band leaders that "Apis" found his chief lieutenant, a certain Voya Tankositch, who as a young lieutenant had taken part in the murder plot of 1903. Tankositch was not a man of high ability, but an ideal instrument; for he could keep his own counsel, and behind a calm and even insignificant exterior hid a savage and ill-disciplined nature.[11] His adventures in Macedonia had brought him a certain notoriety and attracted to him some of the wilder students in Belgrade. Among these were two young Bosnians, Printsip and Tchabrinovitch, who were already deeply infected by revolutionary doctrine and whose abnormal state of health rendered them apt pupils in terrorism. Tankositch therefore provided them with weapons and trained them secretly in their use. In the meantime Dimitrijevitch had received through his secret intelligence information which convinced him that Austria-Hungary was preparing for aggressive action against Serbia and that the manoeuvres in Bosnia were simply the rehearsal for an attack. This gave him the idea of forestalling the enemy by a sensational act of terrorism. He can hardly have been so mad as to expect (though this has been seriously alleged) that its success would render Austria-Hungary incapable of action and avert war altogether. It is more probable that like many Serbs he regarded the Archduke as the soul of the war party and as specially hostile to the Southern Slavs, and calculated that his removal would create such confusion and discouragement as to increase Serbia's chances when war came.[12] In this mood he called a meeting of the inner committee of the Black Hand on

[11] *Ibid*, p. 52. This was confirmed to me from private information.

[12] In this connection Professor Stanojevitch states, but again without giving any evidence, that as Chief of the Intelligence Bureau, Dimitrijevitch had received confidential warning from the Russian General Staff regarding an anti-Serbian design propounded by Francis Ferdinand and accepted by William II, at their meeting at Konopischt on June 12. It is, however, obviously impossible that Dimitrijevitch could have received any such information from any source whatever (least of all from St. Petersburg) before June 15, which is given by Stanojevitch himself as the day on which Dimitrijevitch called his Committee and decided to launch the murder plot. According to reliable information in my possession, no such warning came through the Russian representatives in Belgrade. If it ever was given, it must have come from Mr. Spalaikovitch, the Serbian Minister in St. Petersburg, or his Military Attaché.

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June 15 and announced his intention of sending Tankositch's two pupils into Bosnia with the definite mission of removing the Archduke. It is a striking fact that even in such a ruthless company "Apis" and Tankositch should have found themselves in a minority of two, and that the opposition was so general that he had to promise to abandon the design. It is not quite clear whether he genuinely tried to undo the arrangements already made, but found that it was already too late, or whether he simply disregarded his promise and took no steps to hold back the would-be assassins. Probably both theories are partially true, and in any case, as we shall see, it is practically certain that short of forcibly detaining them in Serbia, even he could not have held back the young men from their purpose. According to Professor Stanojevitch, Dimitrijevitch regarded himself as "the chief organizer of the murder."[13] But though there is no doubt of his connection through Tankositch with two of the murderers, that is very far from proving that the main initiative rested with him; and many who knew him hold that however unscrupulous he may have been, he was much too intelligent to have nursed any such illusion.

The whole question is bound up with the sinister affair of the Saloniki Trial. Of this it must suffice to state that Colonel Dimitrijevitch and other prominent officers were sentenced to death in the spring of 1917 on the charge of arranging an alleged attempt on the Serbian Prince Regent's life; and that when the friends of Serbia in the West, and among others the British War Office, urged the inexpediency of executions and pled for a reprieve, they received the answer that in the case of Dimitrijevitch at any rate this was impossible, since his responsibility for the Sarajevo murder had been established. It is obvious that such a reply was quite irrelevant, for to establish a man's guilt in one crime is no reason for condemning him on an entirely different count. But it was calculated that London or Paris would show less zeal on behalf of Dimitrijevitch if he was implicated in so grave an affair as Sarajevo. In the interval Dimitrijevitch and two others were put out of the way, and the Prince Regent was prevented by the most drastic pressure from exercising his prerogative of mercy. Whether such a document as Dimitrijevitch's confession exists, and if so how it was extracted from him, must still be regarded as an open question;

[13] "Die Ermordung," p. 9.

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but even if it does exist, it would merely prove that Dimitrijevitch ascribed to himself the chief "credit" for the deed.

Eighteen months later, in answer to an article of the present writer criticizing the executions,[14] Mr. Protitch, then acting Foreign Minister at Corfu, stated that there existed "a written document which of itself made Dimitrijevitch's pardon out of the question."[15] In 1922 Protitch stated in his own newspaper[16] that Dimitrijevitch had signed a paper accepting the whole responsibility for Sarajevo; but no such document has ever been made public. The Radical Government, having used the story to rid itself of its most dangerous opponents, had an interest in maintaining it long after the war, especially on the periodical occasions when an inquiry was demanded on behalf of the numerous officers implicated, more or less arbitrarily, in the Saloniki affair. The story also provided useful capital for the rival military clique of the "White Hand," which had become the mainstay of the Radical Party. It is quite clear that Professor Stanojevitch's pamphlet reflects this attitude and that his facts and theories, being only a fragment of the whole truth, are a most misleading guide. He has thrown valuable new light upon an ugly corner of Serbian life, but his entire focus is wrong.

III

The real initiative for the crime came from within Bosnia itself; and one of the survivors from the original group of conspirators is in no way exaggerating when he declares that it was "not the work of an isolated individual in national exaltation, but of the entire youth of Bosnia."[17] It cannot be too strongly emphasized that the great majority of the young men in Bosnia, and to a lesser degree even in Croatia and Dalmatia, had—as a result of the repressive Austro-Magyar régime in the Southern Slav provinces and of the remarkable contrast presented by Serbia's Balkan victories—virtually repudiated the national leaders and their party tactics, and fallen under the spell of revolutionary and terrorist action. How widespread was the unrest among the rising generation was shown by the political school strikes organized in Zagreb and other towns as a protest

[14] *New Europe*, August 22, 1918, "Serbia's Choice."
[15] *Ibid*, September 26, 1918, "A Serbian Protest."
[16] *Radikal* (Belgrade daily), No. 294 (1922).
[17] Borivoje Jevtitch, "Sarajevski Atentat" (Sarajevo, 1924).

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against the Cuvaj dictatorship, and again by the appearance of numerous Jugoslav student newspapers in Prague, Vienna and elsewhere. How grave was the danger was shown by the series of outrages of which that in Sarajevo was the sixth in under four years.[18] All these were the work of Croats or Serbs from the Dual Monarchy, of whom not one had had any connection with Serbia, while one had come all the way from America for the purpose.

No one who knew anything of conditions in the South could fail to realize that the atmosphere was surcharged with electricity and that an explosion might occur at any moment. Personally, I am glad to remember that after four months spent in southeast Europe from March to July, 1913, I gave such frank expression to my alarm in talking with my Viennese friends that one of them took me to Bilinski himself and asked me to repeat my plea for a change of policy if a revolutionary outbreak was to be averted. In a word, the official world of Vienna, Budapest, Belgrade, Zagreb, and Sarajevo alike, and thousands like myself besides, knew that the Archduke was courting danger by his visit.

But it is only since the war that the conspiracy has become known in all its ramifications. Groups of students had been formed in all the towns of Bosnia-Herzegovina, the moving spirits being as a rule youths who had contrived at one time or another to join some *komitadji* band in the Balkan Wars. But by way of precaution, one group was as a rule not known to the other, though most threads centered with Danilo Ilitch, an ex-teacher in Sarajevo. When manoeuvres in Bosnia, under the Archduke's own command, were first announced in the press, *Mlada Bosna* ("Young Bosnia") decided that an attempt should be made on his life, and Ilitch at once began collecting recruits for the deed.[19] A message was also sent to Tchabrinovitch, a young Bosnian student in Belgrade, and he it was who won over his comrades Printsip and Grabezh. All three were consumptive

[18] Zherajitch on General Vareshanin, Governor of Bosnia (June, 1910); Jukitch (June, 1912) and Planinshtchak (November) on Cuvaj; Dojtchitch (August, 1913) and Schäfer (May, 1914) on Baron Skerlecz.

[19] For instance, Mehmedbashitch, Pushara, Patezhanin, Jevtitch, none of whom were caught; Dzhukitch and Tsvetko Popovitch, who were condemned in absence; Tchubrilovitch, who was hanged; Krantchevitch, who got ten years; Perina and Zagorats, who got three years each; and Kalember, who was acquitted. See Jevtitch, *op. cit.*, p. 29, and Pharos, "Der Prozess gegen die Attentater von Sarajevo," pp. 163–4. Twenty-three persons were brought to trial, five being sentenced to death and nine being acquitted. The two actual murderers and Grabezh were sentenced to twenty years, the death penalty not being applicable to persons under the age of twenty.

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and neurasthenic, found it hard to make ends meet, and were ready for any devilry. Tsiganovitch, who helped them, was a Bosnian like themselves, and was a subordinate railway official in Serbia. Printsip already knew Tankositch, having tried to enlist in his *komitadji* band during the Balkan Wars, but having been rejected as physically unfit. Tankositch then supplied the three with revolvers and hand-grenades, which were still very easy to obtain in Serbia, as they had been widely distributed in the guerilla bands which accompanied the army into Macedonia in 1912. That he told his own chief, Dimitrijevitch, of the young men's intentions, and met with full approval, may be taken for granted; but all the evidence available goes to prove their claim that the entire initiative came from Bosnia. The most that can be said is that but for Major Tankositch they might not have been able to obtain bombs; but after all it was a "Browning" that did the mischief, and there were plenty of Brownings available without importing from Serbia.

After the crime no less a person than Archbishop Stadler of Sarajevo declared publicly that, quite apart from Printsip, the Archduke could hardly have hoped to escape, as he would have had to run the gauntlet through "a regular avenue of assassins." And yet the fact which stands out most strikingly from an impartial survey of all the circumstances is the part played by the element of blind chance. Had the Archduke's car not been driven by a chauffeur ignorant of the town, it would have passed the point where Printsip stood at a high rate of speed, and he would probably never even have tried to shoot. As it was, the driver, seeing the police car ahead of him turn into a narrow side street, slacked down, followed it and then, at General Potiorek's orders, had to back slowly, within perhaps twenty yards of Printsip's revolver. Indeed the latter killed his victim at a spot where, according to the program, the cars should never have passed at all. But for this it may be affirmed that the Archduke would either have escaped altogether or have fallen to one of the conspirators who had not been armed in Serbia. Certain it is that a large number of other youths were sworn to attempt his life, and that similar groups existed in Dalmatia and Croatia, eager to emulate their example.[20]

[20] Since the war I have learnt of one place in Dalmatia where the Archduke was expected to spend the night on his way to Bosnia, and where several youths, entirely unconnected with any Bosnian organization, at once resolved that he should not leave it alive. This is by no means an isolated instance.

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IV

It remains to consider the highly important question whether the Serbian Government had any inkling of what was on foot, and could have prevented the crime by timely warning. In view of its acute conflict with the Black Hand, it clearly could have learnt nothing from that quarter, still less have had any share in the plot. But there is reason to believe that Tchabrinovitch talked indiscreetly when still in Belgrade,[21] and that something came to the ears of the police. In any case the question has been raised afresh by an extraordinary article written on the tenth anniversary of the war by Ljuba Jovanovitch, today President of the Skupshtina and at that time Minister of Education in the Pashitch Cabinet.[22] "I do not remember whether it was at the end of May or the beginning of June," he tells us, "that one day Mr. Pashitch said to us that certain persons (*neki*) were preparing to go to Sarajevo and murder Francis Ferdinand, who was about to go there and be solemnly received on St. Vitus's Day." He adds that the criminals belonged to a secretly organized group of Bosnian students in Belgrade, that the Minister of the Interior, Mr. Protitch, with the approval of his colleagues, gave orders to the frontier authorities on the Drina to prevent the young men from crossing, but that the "authorities" (the inverted commas are his), being themselves in the plot, passed them over and told Belgrade that it was too late. Later on he describes his alarm and horror on receiving by telephone the first news from Sarajevo—"*though I knew what was being prepared there*, yet, as I held the receiver, it was as though someone had unexpectedly dealt me a heavy blow." The whole article is written in a careless, naive and reminiscent vein, and

[21] Jevtitch, *op. cit.*, p. 30. Tchabrinovitch was the son of an Austrian police agent, and when the Belgrade police wished to expel him because his papers were not in order, the Austro-Hungarian Consulate is alleged to have protested. This was stated in *Balkan* of July 1, 1914, and reproduced in the Austrian press without denial. On this basis a theory was evolved during the war that Tchabrinovitch and Printsip had no connection with each other, and that the former was an Austrian *agent provocateur*, or even planning murder in the interests of Vienna. This theory, however, was finally exploded by Jevtitch's pamphlet. The two youths carefully avoided each other on the eve of the murder, but simply as an additional precaution.

But the fact that Tchabrinovitch's father was an Austrian agent is true and serves as proof in quite another direction: for it shows that nationalist and revolutionary sentiments had struck deep root even in the most doubtful soil.

Potiorek, with a view to discrediting Bilinski, asserted in his first report to Vienna, that Tchabrinovitch had been expelled from Bosnia, but returned there in 1913, thanks to Bilinski's intervention. In his memoirs Bilinski indignantly denies this, and it appears to be a sheer invention.

[22] "Krv Slovenstva" (Blood of Slavdom), Belgrade, 1924.

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its author seems to be blissfully unaware how damning are his admissions if they are to be taken literally—and we are surely entitled to take literally what a politician of real prominence writes on a subject which vitally concerns his country's honor and his own.

The reader is at once tempted to inquire whether Belgrade may not have taken steps to have warned Vienna of the projected plot, in which case Serbia would be fully absolved from all blame; and it may be remembered that rumors of such a warning were circulated immediately after the murder.[23] It is indeed true that Jovan Jovanovitch, the Serbian Minister in Vienna, who was too well informed not to be alarmed at the situation in the Southern provinces, went *on his own initiative* to Bilinski in the first week of June and urged upon him the inadvisibility of the Archduke's visit to Sarajevo on "Vidovdan," since it would inevitably be regarded by all Serbs on both sides of the frontier as an act of provocation. It has sometimes been asserted that Jovanovitch on June 18 received official instructions from Pashitch to convey a warning to the Ballplatz,[24] but I have the most explicit assurances on the part of Mr. Jovanovitch himself that no such instructions were ever received or acted upon.[25] There thus rests upon Belgrade the onus of proving, either that the information at its disposal was much more vague than Ljuba Jovanovitch would have us believe, or that it conveyed an adequate warning of the danger in some way of which no record has yet reached us.

The matter can hardly rest here. Public opinion in Europe and America is more interested than ever in the problem of responsibility for the Great War, and is entitled to demand a full and detailed explanation from Ljuba Jovanovitch and from his chief, Mr. Pashitch. Failing that, it will henceforth be necessary for the historian, while exposing the aggressive Balkan policy of the Ballplatz and emphasizing the criminal negligence

[23] It first occurs in an interview given by Mr. Spalaikovitch to *Novoje Vremja* (June 30 or July 1, 1914). It was officially denied by the Ballplatz on July 3.

[24] The statement first occurs in Ernest Denis, "La Grande Serbie" (1916), which he must have got from some Serbian official source. It is given in full detail by George Josimovitch, a former subordinate of Jovanovitch in the Vienna Legation at the time, in the *Wiener Sonnund Montags-Zeitung* of July 23, 1914. But both versions are entirely inaccurate.

[25] Jovan Jovanovitch's denial is still further confirmed by the fact that Bilinski is silent in his memoirs as to any such warning. Baron Rummerskirch, then master of the Archduke's household, has also denied that Bilinski ever came to him with such a story, and, though there is an obvious motive for such a denial, it is probably true.

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of the Austro-Hungarian authorities in Bosnia, to convict the Serbian Government of the calculation that the assassination might serve their national ends and in oblivion of the fact that "murder will out."

The crime of Sarajevo is an indelible blot upon the movement for Jugoslav unity. But unless we are to lose all sense of proportion we must assign the main guilt to Austria-Hungary, who by a policy of repression at home and aggression abroad had antagonized all sections of the Jugoslav race. Murder or no murder, the seething pot would have continued to boil until Austria-Hungary could evolve a policy compatible with Jugoslav interests, or alternatively, until the Jugoslavs of the Dual Monarchy could shake off her yoke.

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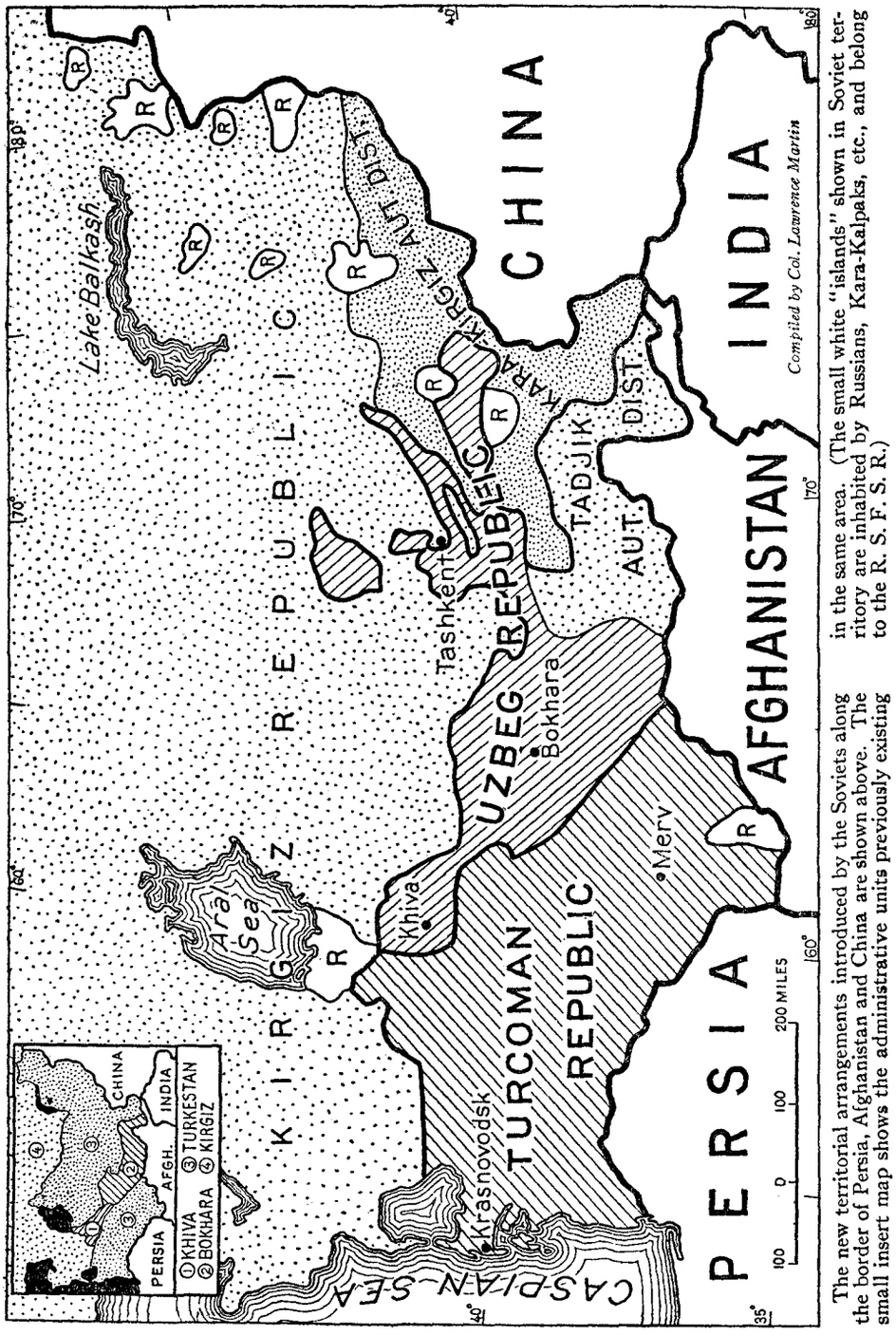

The new territorial arrangements introduced by the Soviets along the border of Persia, Afghanistan and China are shown above. The small insert map shows the administrative units previously existing in the same area. (The small white "islands" shown in Soviet territory are inhabited by Russians, Kara-Kalpaks, etc., and belong to the R. S. F. S. R.)

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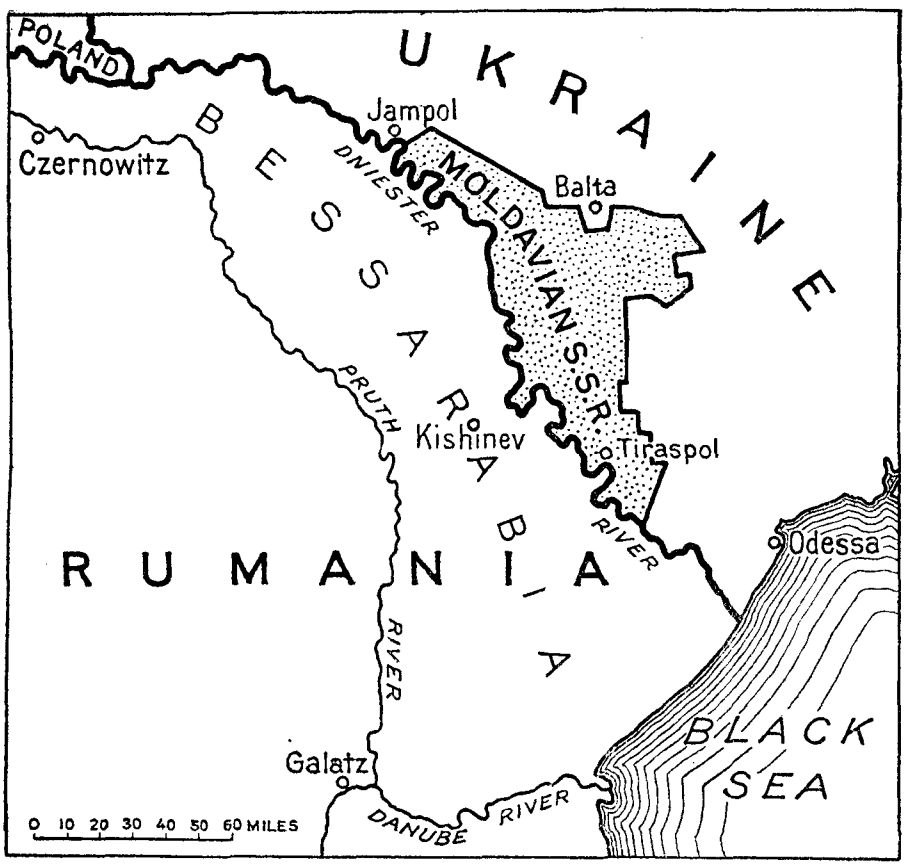
NEW RUSSIAN TERRITORIAL DIVISIONS

During the last few months the Russian leaders have taken steps to effect several changes in the organization of the Soviet state which are quite significant, not only from the standpoint of domestic political considerations, but also from the point of view of the foreign policy of the Soviet power.

The first of these acts was the creation of an autonomous Moldavian Soviet Socialist Republic along the Soviet-Rumanian frontier. This new entity, which is to form an autonomous unit within the Ukrainian Socialist Soviet Republic, comprises those



Compiled by Col. Lawrence Martin

THE NEW SOVIET REPUBLIC ON THE FRONTIER OF BESSARABIA

districts of the provinces of Odessa and Podolia in which the Moldavian (i. e. Rumanian) population predominates.

The proclamation of the new republic was preceded by a carefully prepared propaganda campaign to create the illusion of a mass movement of the local population in favor of the formation of a Moldavian Republic. No attempt has been made to conceal the fact that it is hoped that the concessions being accorded to the incipient Moldavian nationalism will win the sympathies of the Moldavian population across

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the Dniester and that eventually the new unit will include the Rumanian population in Bessarabia. The Chairman of the Moldavian Revolutionary Committee declared in an interview appearing in the *Izvestia* of November 1, 1924, with regard to the capital of the new unit, that the *permanent* administrative center can only be Kishinev, "for the larger part of the Moldavian Republic lies on the further side of the Dniester." It will also be noted that the new entity, according to the boundaries stipulated in the resolution of the All-Ukrainian Central Executive Committee of October 11, 1924, stretches along the Dniester like a shoestring, apparently so as to include the maximum number of crossings into Bessarabia. This circumstance, it will be appreciated, will greatly facilitate the organization of partisan incursions into Bessarabia and encourage intercourse between it and the new state.

Of greater importance, perhaps, than the formation by the Soviets of an autonomous Moldavian Republic is the extensive reorganization of Central Asia which they are now carrying out. The new arrangement is based primarily on ethnic considerations and is designed not only to strengthen the Soviet power internally, but also to facilitate the penetration of Bolshevik influence in the adjacent regions of Central Asia.

It is to be especially noted that the Soviet power, whether acting through the Soviet Government or through the Third International, is actively engaged at the present time in utilizing the national movements, particularly in the Near and Far East, to further the interests of the proletarian revolution. The intended reorganization, as will be observed from the insert on the accompanying map,[1] involves the dismemberment of the Turkestan Socialist Soviet Republic, the disappearance of Khiva and Bokhara, which hitherto have not formed an integral part of the Soviet Union, and the creation of two new republics, a Turcoman Soviet Socialist Republic (comprising the regions populated by Turcomans in Bokhara, Khiva and Turkestan) and an Uzbeg Soviet Socialist Republic (comprising the Uzbeg population in Khiva, Western Bokhara and adjacent territories). The Kirgiz districts of the Turkestan Republic are to be joined to the Kirgiz Socialist Soviet Republic, while the Kara-Kirgiz population is to be formed into an Autonomous Kara-Kirgiz Region, as a part of Soviet Russia proper, and the Tadjik population in Eastern Bokhara and Turkestan is to be formed into an Autonomous Tadjik Socialist Soviet Republic as an integral part of the Uzbeg Republic. The Turcoman and Uzbeg Republics are to enter the Union of Soviet Socialist Republics.

The object of this new territorial arrangement, from an internal point of view, is to eliminate the friction between the various nationalities within the present grouping —friction which, it appears, has tended to interfere with the carrying on of the revolutionary class struggle. It is obvious, also, that the new arrangement will tend to strengthen the control of Moscow over this region by destroying the territorial basis of the old order and thereby preventing the possibile recrudescence of native movements to restore the former Khanates of Bokhara and Khiva. Externally, the Turcoman and Uzbeg Republics are intended to exert a considerable influence to the advantage of the Soviet power on the Turcoman, Uzbeg, and Kirgiz populations of Northern Persia, Northern Afghanistan and Western China.

Thus we see that in these latest changes in Asia the Soviet Union is consistently following out the policy it has inaugurated in Europe by the creation of frontier states like White Russia and the Ukraine (as well as Moldavia) which shall serve as centers of attraction and propaganda among the kindred populations across the border and perhaps prepare the way for direct intervention.[2]

[1] The boundaries of the new units have not as yet been definitively delimited, but they will not differ substantially from those indicated on the map.

[2] See FOREIGN AFFAIRS, Vol II, No. 4, p. 662, and Vol. III, No. 1, p. 91.

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SOME RECENT BOOKS ON INTERNATIONAL RELATIONS

By William L. Langer

General International Relations

SHORT HISTORY OF INTERNATIONAL INTERCOURSE. By Delisle C. Burns. New York: Oxford University Press, 1924, 159 pp.

A useful primer, arguing for international peace from the utilitarian standpoint.

L'OEUVRE DE LA SOCIETÉ DES NATIONS. By Leon Bourgeois. Paris: Payot, 1924, 456 pp.

A survey by one of the most prominent participants in the League's work.

THE PERMANENT COURT OF INTERNATIONAL JUSTICE. By Manley O. Hudson. Cambridge, Mass.: Harvard University Press, 1925, 389 pp.

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THE GENEVA PROTOCOL. By Philip J. Baker. London: King, 1925.

An authoritative study by one who has long been connected with the disarmament work of the League.

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An attempt to show historically how the idea of justice has gradually penetrated into international relations. The author was formerly Foreign Minister of Greece.

SYLLABUS ON INTERNATIONAL RELATIONS. By Parker T. Moon. New York: Macmillan, 1925, 280 pp.

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LE DROIT INTERNATIONAL DES COMMUNICATIONS. By Charles de Visscher. Paris: Rousseau, 1924, 151 pp.

The standard treatise on the subject.

AIR POWER AND WAR RIGHTS. By J. M. Spaight. New York: Longmans, Green, 1924, 493 pp.

The effect of air power on the future conduct of war, by an English specialist in aeronautics.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

MEN AND POLICIES. By Elihu Root. Cambridge, Mass.: Harvard University Press, 1925, 518 pp.

Recent addresses and letters, dealing largely with the world court and with problems of post-war reconstruction.

EFECTOS INTERNACIONALES DE LA ACTUACION DE LOS GOBIERNOS DE FACTO. By L. A. Podesta-Costa. Buenos Aires: Imprim. de la Universidad, 1924.

A scholarly monograph on the international aspects of *de facto* governments.

THE INTERNATIONAL LABOUR OFFICE. By E. Beddington Behrens. London: Pearsons, 1924.

The organization and work of the Labor Office.

ARMAMENTS YEAR-BOOK. London: Constable, 1924, 900 pp.

A survey of the armaments and military expenditures of thirty-seven countries, issued by the Secretariat of the League.

International Relations of the United States

NATIONAL ISOLATION AN ILLUSION. By Perry Belmont. New York: Putnam's, 1925, 631 pp.

An historical examination of the relations of America with Europe.

A HISTORY OF THE FOREIGN POLICY OF THE UNITED STATES. By Randolph G. Adams. New York: Macmillan, 1924, 490 pp.

A conventional handbook.

WORKING MANUAL OF ORIGINAL SOURCES IN AMERICAN GOVERNMENT. By Milton Conover. Baltimore: Johns Hopkins Press, 1924, 135 pp.

With a section on American foreign policy.

AMERICAN RELATIONS WITH MEXICO. By Launa M. Smith. Oklahoma City: Harlow Publishing Company, 1924, 249 pp.

A conscientious, documented historical study.

THE UNITED STATES AND THE PHILIPPINES. By D. R. Williams. New York: Doubleday, Page, 1924, 335 pp.

One of the most important books so far written on the subject. The author was secretary to the Taft Commission and has been resident in the Philippines for many years.

OUR COMPETITORS AND MARKETS. By Arnold W. Lahee. New York: Holt, 1924, 496 pp.

A helpful analysis of the foreign trade situation as it affects the United States.

Europe

THE DIARY OF LORD BERTIE. London: Hodder and Stoughton, 1924.

The diary of the former British Ambassador to Paris; an important contribution to the sources of the war.

DAS VORSPIEL. By Theodor Wolff. Munich: Verlag für Kulturpolitik, 1925, 304 pp.

Reminiscences of the editor of the *Berliner Tageblatt*. A moderate, sympathetic criticism of German pre-war policy, with interesting sidelights on Bülow, Holstein and Tirpitz.

THEY MAKE A DESERT. By Franceso Nitti. London: Dent, 1924, 296 pp.

The former Italian Premier rearranges some old material in more or less new dress.

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ELECTRONIC REPRODUCTION PROHIBITED

THROUGH THIRTY YEARS. By Henry Wickham Steed. New York: Doubleday, Page, 1924, 2 vols.

The interesting reminiscences of an active life spent in Paris, Berlin, Rome, Vienna and London in the service of the London *Times*.

DIE KRIEGSSCHULDFRAGE: EIN VERZEICHNISS DER LITERATUR DES IN—UND AUSLANDES. Leipzig: Verlag des Börsenvereins, 1925.

A bibliography for the question of war guilt.

DER DIPLOMATISCHE SCHRIFTWECHSEL ISWOLSKIS, 1911–1914. Edited by Friedrich Stieve. Berlin: Deutsche Verlagsgesellschaft für Politik und Geschichte, 1924, 4 vols.

An important collection of correspondence between Paris and St. Petersburg, containing some 500 unpublished documents.

ISWOLSKI UND DER WELTKRIEG. By Friedrich Stieve. Berlin: Deutsche Verlagsgesellschaft für Politik und Geschichte, 1924, 269 pp.

A study of the diplomatic background of the war, based largely on the Isvolski correspondence.

POLITISCHE DOKUMENTE. By Alfred von Tirpitz. Berlin: J. G. Cotta, 1924, 472 pp.

Important documents from among the papers of the former Grand Admiral of the German Fleet.

COMMENT J'AI NOMMÉ FOCH ET PETAIN. By Paul Painlevé. Paris: Alcan, 1924, 424 pp.

The story of the author's tenure of office as Minister of War and as Prime Minister.

LES ORIGINES DE LA VICTOIRE. By Bourget. Paris: Rénaissance du Livre, 1924.

An important short history of the war, showing the interrelationship of military and political events. The work is well-documented.

THE NAVAL HISTORY OF THE WORLD WAR. Vol. I. By Capt. Thomas Frothingham. Cambridge, Mass.: Harvard University Press, 1924, 349 pp.

A careful work, based on data provided by the historical section of the United States Navy.

DIE DEUTSCHEN VERGELTUNGSMASSNAHMEN IM WIRTSCHAFTSKRIEG. Edited by Friedrich Lenz and Eberhard Schmidt. Bonn and Leipzig: Kurt Schroeder, 1924, 368 pp.

A study of the commercial war from 1914–1919.

THE STABILIZATION OF EUROPE. By Charles de Visscher. Chicago: Chicago University Press, 1924, 190 pp.

Lectures dealing with problems of nationality, security and communication.

DER BANKEROTT DER FREIEN WIRTSCHAFT UND DIE NOTWENDIGEN FINANZ UND WIRTSCHAFTSREFORMEN. By K. Ballod. Jena: Thüringer Verlagsanstalt, 1924.

A famous economist's bitter attack on the manoeuvres of Big Business since the war, and suggestions as to how its influence may be broken.

LABOUR'S ALTERNATIVE: THE UNITED STATES OF EUROPE, OR EUROPE LIMITED. By Edo Fimmen. London: Labour Publishing Company, 1924, 128 pp.

The author advocates the conversion of Europe into a free union of proletarian republics as the only means of protecting the working classes.

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ELECTRONIC REPRODUCTION PROHIBITED

DU HAUT DE LA TOUR DE BABEL. By Lt. Gen. de Selliers de Moranville. Paris: Berger-Levrault, 1924, 238 pp.

A commentary on the preparation for the war and the strategic position of Belgium in 1914, by the former generalissimo of the Belgian army.

LES FINANCES DE LA FRANCE. By G. Bonnet. Paris: Payot, 1924.

An expert's lucid account of the French budgetary situation.

L'AVIATION ET LA SECURITÉ FRANCAISE. By R. Fonck. Paris: Bossard, 1924, 320 pp.

A consideration of the economic as well as the political implications of aviation as they effect the position of France.

LA BATAILLE DE LA RUHR. By René Pinon. Paris: Perrin, 1924, 361 pp.

A reprint of the bi-weekly survey of French policy in the *Revue des deux Mondes*, by the man who succeeded Poincaré in charge of that task.

FRANKREICH UND BELGIEN. By K. Schwendemann. Berlin: Deutsche Verlagsgesellschaft für Politik und Geschichte, 1924, 58 pp.

A study of French cultural influence in Belgium.

LA POLITIQUE RÉPUBLICAINE. By a Group of Radical Leaders. Paris: Alcan, 1924, 587 pp.

A study of the radical program, by a number of prominent leaders.

DIE FRANZÖSISCHE SCHWERINDUSTRIE UND FRANKREICHS SICHERHEIT. Berlin: Verlag Deutsche Rundschau, 1924, 16 pp.

Since all the nations of the continent are dependent on France for iron and steel, the author argues, France's security is more than assured.

VIER JAHRZEHNTE REICHSPOLITIK, 1878–1919. By Paul Harms. Leipzig: Quelle und Meyer, 1924, 209 pp.

A study of the causes of Germany's collapse and the conditions of recovery.

DIE WIRTSCHAFTLICHE MOBILMACHUNG IN DEUTSCHLAND. By Clemens von Delbrück. Munich: Verlag für Kulturpolitik, 1924, 322 pp.

A study of the economic mobilization of Germany in 1914.

LE DRAME DE L'ALLEMAGNE. By J. Aulneau. Paris: Alcan, 1924, 258 pp.

A thorough but uninspiring account of developments in Germany from 1918 to 1924.

VERSCHWÖRER. By E. J. Gumbel. Berlin: Melik Verlag, 1924.

A study of German nationalist secret societies.

DIE DRAHTZIEHER. By Rhenanus. Berlin: Verlag für Presse, Wirtschaft und Politik, 1924, 207 pp.

An important account of the separatist movement in the Rhineland, based on numerous documents.

DEUX JOURS CHEZ LUDENDORFF. By P. Dominique. Paris: Edit. de Siècle, 1924.

A thoughtful study of the problems connected with Ludendorff and the nationalist movement in Germany.

LE DESARMEMENT DE L'ALLEMAGNE. By André Honnorat. Paris: Costes, 1924.

A well-documented examination of the militarist movement in Germany.

DEUTSCHLAND UND FRANKREICH. By R. Kuczynski. Berlin: R. L. Prager, 1924, 410 pp.

A well-known economist's essays, aiming to improve the relations between the two countries by setting forth their common interests.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FESTE MARK—SOLIDE WIRTSCHAFT. By Hans Luther. Berlin: Otto Stollberg, 1924.

A popular exposition of the writer's financial policy.

KÖNIGE DER INFLATION. By P. Ufermann. Berlin: Verlag für Sozialwissenschaft, 1924.

Critical biographical portraits of some of the leading German industrial magnates.

THE PAN-GERMAN LEAGUE, 1890–1914. By Mildred S. Wertheimer. New York: Longmans, Green, 1924, 256 pp.

A scholarly investigation of the organization, membership and influence of the famous nationalist league.

ZÚR GESCHICHTE DES GROSSEN KRIEGES, 1914–1918. By General Arz. Vienna: Rikola Verlag, 1924.

A study of Austria-Hungary's part in the war, by a former member of the general staff.

THE COÖPERATIVE MOVEMENT IN JUGOSLAVIA, RUMANIA AND NORTH ITALY. By Diamid Coffey. New York: Oxford University Press, 1924.

A suggestive, though inadequate and fragmentary investigation.

DIE HABSBURGER UND DIE SÜDSLAWENFRAGE. By Hermann Wendel. Leipzig: Geza Kohn, 1924, 112 pp.

An anti-Hapsburg recapitulation of items in Austria's pre-war policy in the Balkans.

THE MEDITERRANEAN LANDS. By M. I. Newbigin. New York: Knopf, 1924, 222 pp.

A suggestive treatment of the Mediterranean problem from the anthropo-geographical standpoint.

FROM SOCIALISM TO FASCISM. By Ivanhoe Bonomi. London: Martin Hopkinson, 1924, 164 pp.

A sane examination of the origins and development of Fascism and the failure of socialism in Italy.

FOUR YEARS OF FASCISM. By Guglielmo Ferrero. London: King, 1924.

A collection of articles by a well-known opponent of Fascism.

LA QUESTION DE FIUME. By Slavko M. Tchiritch. Paris: Jouve, 1924.

The most complete and scholarly history of the problem, from earliest times to the present.

PRINCIPAUX TRAITS DU DEVELOPPEMENT ÉCONOMIQUE DE L'ESPAGNE. By Jean Baelen. Paris: Bibliothèque de l'École des Hautes Études Historiques, 1924, 250 pp.

An instructive essay on the economic development of Spain.

ALFONSO XIII UNMASKED. THE MILITARY TERROR IN SPAIN. By Vincente Blasco Ibanez. New York: Dutton, 1924, 121 pp.

A reprint of violently republican articles by the famous Spanish novelist.

WÄHRUNG UND WIRTSCHAFT IN POLEN, LITTAUEN, LETTLAND UND ESTHLAND. By O. Lehnich. Berlin: R. L. Prager Verlag, 1924.

A serious study of economic problems confronting some of the new states of Eastern Europe.

RELIGION IN RUSSIA UNDER THE SOVIETS. By Bishop Richard J. Cooke. New York: Abingdon Press, 1924, 311 pp.

An attempt to extract the truth from the mass of conflicting statements.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

AFTER LENIN, A NEW PHASE IN RUSSIA. By Michael Farbman. London: Parsons, 1925, 280 pp.

Predicts a gradual return to something resembling the old order, with improvements made by the Bolsheviks.

THE REFORGING OF RUSSIA. By Edwin Ware Hullinger. New York: Dutton, 1925, 402 pp.

A vivid account of Russian reconstruction under the New Economic policy.

LENIN UND DER LENINISMUS. By J. Stalin. Vienna: Verlag für Litteratur und Politik, 1924, 164 pp.

A translation of a handbook of Bolshevik tactics designed for the use of German communists.

INDUSTRIAL LIFE IN RUSSIA, 1917–1924. Geneva: International Labor Office, 1924, 260 pp.

A thorough and reliable investigation.

The British Empire

L'EMPIRE BRITANNIQUE. By Prof. Demangeon. Paris: Colon, 1924, 280 pp.

A suggestive and hopeful discussion of the main problems of imperial federation.

MR. MacDONALD AS A DIPLOMATIST. By George Glasgow. London: Jonathan Cape, 1924.

A eulogy of the late Premier and his "gallant attempt to guide the steps of Europe into the paths of peace."

THE CONSTITUTION, ADMINISTRATION AND LAWS OF THE EMPIRE. By A. Berriedale Keith. London: Collins, 1924, 355 pp.

A compact and serviceable manual.

THE ECONOMIC DEVELOPMENT OF THE BRITISH OVERSEAS EMPIRE. By L. C. A. Knowles. London: Routledge, 1924, 555 pp.

The treatment is uneven, but the book contains some good chapters on the economic development of India.

THE RESOURCES OF THE EMPIRE AND THEIR DEVELOPMENT. By Evans Lewin. London: Collins, 1924, 364 pp.

A survey from the point of view of the mother-country.

CANADIAN FEDERATION. By Reginald G. Trotter. London: Dent, 1924.

The origin and history of Canadian Federation, viewed as an achievement in nation building.

COMMERCIAL RELATIONS BETWEEN INDIA AND ENGLAND. By Bal Krishna. London: Routledge, 1925, 370 pp.

A thorough treatment of the subject by an Indian scholar.

SIDELIGHTS ON THE CRISIS IN INDIA. By M. Harcourt. London: Longmans, Green, 1924, 118 pp.

A suggestive reconsideration of the principal points at issue.

BRITAIN IN INDIA: HAVE WE BENEFITTED? By Khan Sahib Mulvi Idris Ahmad. Lucknow: 1923, 118 pp.

An appreciation of what England has done for India.

The Near East

THE OCCIDENT AND THE ORIENT. By Sir Valentine Chirol. Chicago: Chicago University Press, 1924, 228 pp.

Lectures delivered last year by one of the most competent authorities on the Near and Middle East.

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ELECTRONIC REPRODUCTION PROHIBITED

ALL ABOUT THE KHALIFAT. By M. H. Abbas. Calcutta: Ray and Ray Choudhury, 1924, 368 pp.
The problem of the Khalifate from the point of view of an Indian Musulman.

ANGORA, LONDRES, MUSTAPHA KEMAL PACHA, ET LA POLITIQUE ANGLAISE EN ORIENT. By Berthe Gaulis. Paris: Colin, 1924, 283 pp.
A brilliant account of the rise and success of the Turkish nationalist movement.

LE DRAME ORIENTAL ET LE RÔLE DE LA FRANCE. By Pierre Lyautey. Paris: Soc. d'édit. géograph. maritimes et coloniales, 1924, 259 pp.
A sane and well-documented account from the expansionist viewpoint.

MODERN TURKEY. By Elliott Grinnell Mears. New York: Macmillan. 1924, 779 pp.
A coöperative work, perhaps the most useful book on modern Turkey in English.

VIER JAHRE UNTER DEM HALBMOND. By Gen. Rafael de Nogales. Berlin: Hobbing, 1924, 400 pp.
An interesting report on the Turkish campaigns by a neutral general attached to the Turkish forces.

SYRIE ET PALESTINE, MANDATES FRANÇAIS ET ANGLAIS DANS LE PROCHE-ORIENT. By Paul Pic. Paris: Champion, 1924, 235 pp.
A study of the mandate system as applied in the Near East.

WITH LAWRENCE IN ARABIA. By Lowell Thomas. New York: Century, 1924, 408 pp.
A readable, if enthusiastic, description of British exploits among the Arabs.

THE STRUGGLE FOR POWER IN MOSLEM ASIA. By E. Alexander Powell. New York: Century, 1924, 320 pp.
A pessimistic interpretation from the anti-British standpoint.

MANUEL DE POLITIQUE MUSULMANE. By "Un Africain." Paris: Bossard, 1924, 190 pp.
An indispensable handbook for those interested in Moslem countries.

Africa

UNCONQUERED ABYSSINIA AS IT IS TODAY. By Charles F. Rey. Philadelphia: Lippincott, 1924.
A survey of the country and its history.

THE REAL RHODESIA. By Ethel Tawse Jollie. London: Hutchinson, 1924, 311 pp.
Particularly valuable for its discussion of the constitutional problem.

KENYA. By Norman Leys. London: Hogarth, 1924, 409 pp.
A severe indictment of existing economic and social conditions in this British Crown Colony, especially in regard to the exploitation of the natives.

The Far East

WESTERN CIVILIZATION AND THE FAR EAST. By Stephen King-Hall. New York: Scribner's, 1924, 343 pp.
A stimulating discussion.

TIBET, PAST AND PRESENT. By Sir Charles Bell. Oxford: The Clarendon Press, 1925, 340 pp.
An extremely valuable account of the developments of the last twenty years.

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JAPAN FROM WITHIN. By J. Ingram Bryan. New York: Stokes, 1924, 288 pp.
A survey by a well-qualified observer.

THE CONFLICT OF POLICIES IN ASIA. By Thomas F. Millard. New York: Century, 1924, 507 pp.
The latest impressions of a well-known writer on the Far East.

LA POLITICA ASIATICA DEI BOLSCEVICHI. By Aurelio Palmieri. Bologna: Zanichelli, 1924.
By an Italian priest, long a student of Near Eastern affairs.

THE SOCIAL AND POLITICAL SYSTEMS OF CENTRAL POLYNESIA. By Robert W. Williamson. London: Cambridge Univ. Press, 1924, 3 vols.
A digest of ethnographical material collected by travelers, missionaries, officials, etc.

Latin America

THE MONROE DOCTRINE. By Alejandro Alvarez. New York: Oxford University Press, 1924, 582 pp.
The Monroe Doctrine from the Latin American viewpoint.

THE STORY OF THE PAN-AMERICAN UNION. Philadelphia: Dorrance, 1924.
A brief composite work.

LAS REVOLUCIONES HISPANO-AMERICANAS. By B. Sanin Cano. Madrid: Union Iberoamericano, 1924.
An illuminating essay explaining the Latin American revolutions as a sort of substitute for the ferocious tribal nationalism of Europe.

THE SOUTH AMERICAN HANDBOOK. South American Publications, 1925, 590 pp.
Statistical.

Miscellaneous

LES RACES ET L'HISTOIRE. By Eugène Pittard. Paris: La Rénaissance du Livre, 1924, 640 pp.
A thoroughly sound book, representing the moderate race theory and taking the stand that we are still in the investigating stage.

CHRISTIANITY AND THE RACE PROBLEM. By J. H. Oldham. New York: Doran, 1924, 300 pp.
A clear and sane discussion of the racial problem from the Christian standpoint, by the Editor of *The International Review of Missions*.

LE PÉRIL JUIF: L'IMPÉRIALISME D'ISRAEL. By Roger Lambelin. Paris: Grasset, 1924, 320 pp.
A survey of the Jewish problem in all the countries of the world.

RACES, NATIONS AND CLASSES. By Herbert A. Miller. Philadelphia: Lippincott, 1924, 213 pp.
A description and examination of present-day group conflicts.

GEOGRAPHY AND WORLD POWER. By James Fairgrieve. London: University of London Press, 1924, 373 pp.
A stimulating review of history in its geographical aspect.

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SOURCE MATERIAL: I

PUBLIC DOCUMENTS OFFICIALLY PRINTED

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Washington imprints are Government Printing Office and London imprints are His Majesty's Stationery Office, unless otherwise noted.

ARBITRATION

COSTA RICA-GREAT BRITAIN arbitration; counter-case of Costa Rica in the matter of claims presented by His Britannic Majesty's Government against the Republic of Costa Rica before the Chief Justice of the United States of America, arbitrator, under convention between the Republic of Costa Rica and His Britannic Majesty, dated January 12, 1922, as ratified March 7, 1923. Washington, D. C., Press of B. S. Adams [1923]. ii, 201 p., v. 290 p. 23½ cm.

FALLO ARBITRAL del chief justice de los Estados Unidos de America sobre las reclamaciones del Royal Bank of Canada y de John M. Amory & Son. San José, Costa Rica Imprenta Nacional, 1924. 64 p. 23½ cm. (At head of title: Secretaria de Relaciones Exteriores, Republica de Costa Rica.)

ARMAMENT

ARMAMENTS YEAR-BOOK. General and Statistical Information. First Year. Geneva, September, 1924. 844 p. 25 cm. (League of Nations. A. 37. 1924. IX.) $4.00.

Embodies the "full and frank interchange of information" agreed to under Art. 8 of the Covenant. Each state notice comprises three parts: Military forces (land, sea and air); Budget expenditure on national defense; Industries capable of being use.. for war purposes. Information is given for the following states: Albania, Argentina, Austria, Belgium, Brazil, British Empire, Bulgaria, Chile, China, Czechoslovakia, Denmark, Esthonia, Finland, France, Germany, Greece, Hungary, Italy, Japan, Latvia, Luxemburg, Netherlands, Norway, Poland, Rumania, Serb-Croat-Slovene State, Spain, Sweden, Switzerland, Union of Socialist Soviet Republics, United States of America.

AUSTRIA

FINANCIAL Reconstruction of Austria. Agreement approved by the Council of the League of Nations on September 16, 1924 (with the previous relevant documents). 16 p. 32½ cm. (League of Nations, F. 186.) $.15.

The monthly report of the Commissioner General is published regularly, and on that account is not here noticed.

BRITISH EMPIRE

CONSULTATION on Matters of Foreign Policy and General Imperial Interest. Correspondence with the Governments of the self-governing Dominions. London, 1925. 26 p. 24½ cm. (Parl. Paps., 1925. Cmd. 2301.) 6d.

STATEMENT of the position of His Majesty's Government in regard to the Resolutions of the Imperial Economic Conference, 1923, and the proposals laid before the Conference by His Majesty's late Government. London, 1924. 8 p. 24½ cm. (Parl. Pap., 1924. Cmd. 2115.) 3d.

CLAIMS

GERMANY. Mixed Claims Commission. United States and Germany. Opinions dealing with Germany's obligations and the jurisdiction of this Commission as determined by the nationality of claims and Administrative Decision No. V. (October 21 and 31, 1924.) Washington, 1924. p. 145-194. 23 cm.

MEXICO. 1. Convention between United States and Mexico, signed Washington, September 8, 1923; 2. Rules of General Claims Commission, United States and Mexico; 3. Convention between United States and Mexico, signed Mexico City, September 10, 1923; 4. Rules of Special Claims Commission, United States and Mexico. 1923. Cover-title. 42 p. 23½ cm.

CLEARING OFFICES—PEACE TREATIES

FOURTH ANNUAL Report of the Controller of the Clearing Office (Germany), the Administrator of Austrian, Hungarian and Bulgarian property and the Director of the Russian Claims Department. London, 1924. 58 p. 24½ cm. 1s. 6d.

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COMMERCE

AGREEMENT effected by exchange of notes between the United States and the Dominican Republic according mutual unconditional most-favored-nation treatment in Customs Matters. Signed September 25, 1924. Washington, 1924. 5 p. 23 cm. (Treaty Series, No. 700.)

TREATY of Commerce and Navigation between the United Kingdom and Germany and additional Protocol. Signed at London, December 2, 1924. London, 1924. 31 p. 24½ cm. (At head of title: Foreign Office.) 6d.

COURT OF INTERNATIONAL JUSTICE, PERMANENT

FIFTH SESSION (June 15–September 14, 1924). Documents relating to Judgment No. 2 (September 4, 1924). The Mavrommatis Palestine Concessions. 502 double pages. 25 cm. (Series C, No. 5–I.) $5.80.

FIFTH SESSION (June 15–September 4, 1924). Documents relating to Advisory Opinion No. 9 (September 4, 1924). Question of the Monastery of Saint Naoum (Albanian frontier). 408 double pages. 25 cm. (Series C, No. 5–II.) $4.80.

Part III, No. 4, pp. 70–134, reprinted from:
FRONTIÈRE ALBANAISE dans la région de Saint-Naoum. Lettre de la Conférence des ambassadeurs au Secrétaire général. Note sur les délibérations de la Conférence des ambassadeurs au sujet de l'attribution du monastère de St. Naoum. 22 pièces annexes. 40 p. 33 cm. (League of Nations. C. 293. M. 94. 1924. VII.) $.40.

DANZIG

FREE CITY of Danzig. General Report by the Secretary-General for the period April–October, 1924. 4 p. 33 cm. (League of Nations, C. 580. M. 197. 1924. I.)

ZUSAMMENSTELLUNG der zwischen der Freien Stadt Danzig und der Republik Polen abgeschlossenen Verträge, Abkommen und Vereinbarungen, 1920–1923. Zusammengestellt und herausgegeben beim Senat der Freien Stadt Danzig. Dezember, 1923. Danzig, Julius Sauer, 1923. 400 p. 23½ cm. $3.00.

EXTRADITION

ESTHONIA. Treaty between the United States and Esthonia. Extradition. Signed at Tallinn, November 8, 1923. Washington, 1924. 6 p. 23 cm. (Treaty Series, No. 703.)

LITHUANIA. Treaty between the United States and Lithuania. Extradition. Signed at Kaunas, April 9, 1924. Washington, 1924. 6 p. 23 cm. (Treaty Series, No. 699.)

FISHERIES

CONVENTION between the United States and Great Britain for the Preservation of the Halibut Fishery of the Northern Pacific Ocean including the Bering Sea. Signed at Washington, March 2, 1923. Washington, 1924. 3 p. 23 cm. (Treaty Series, No. 701.)

EXECUTIVE order (providing for maintenance of patrol and designating officers to enforce act for protection of northern Pacific halibut fishery). November 3, 1924. Washington, 1924. 1 p. (No. 4098.)

GREEK REFUGEE SETTLEMENT

GREEK REFUGEES. Third Quarterly Report on the Operations of the Refugee Settlement Commission for the third three months. 6 p. 33 cm. (League of Nations, C. 438. M. 167. 1924. II.) $.05.

THE SETTLEMENT of Greek Refugees. Scheme for an International Loan. Protocol arranged by the League of Nations and signed at Geneva on September 29, 1923. Amended by the Additional Act signed at Geneva on September 19, 1924, with the relevant documents and public statements, including the statutes of the Refugee Settlement Commission. 39 p. 33 cm. (League of Nations, C. 524. M. 187. 1924. II.) $.30.

HUNGARY

FINANCIAL RECONSTRUCTION of Hungary. Seventh Report by the Commissioner-General of the League of Nations for Hungary. November 1 to 30, 1924. 9 p. 33 cm. (League of Nations, C. 762. 1924. II.) $.10.

The monthly report of the Commissioner General is published regularly, and on that account is not here noticed.

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INTELLECTUAL COOPERATION, COMMITTEE ON

MINUTES of the Third Session. Paris, December 5 to 8, 1923. 64 p. 33 cm. (League of Nations, C. 3. M. 3. 1924. XII.) $.50.

MINUTES of the Fourth Session held at Geneva from Friday, July 25, to Tuesday, July 29, 1924. 72 p. 33 cm. (League of Nations, A. 20. 1924. XII.) $.60.

MINUTES of the Committee of Experts on the International Exchange of Publications. Geneva, July 17 to July 19, 1924. 39 p. 33 cm. (League of Nations, A. 21. 1924. XII.) $.40.

INTERALLIED RHINELAND HIGH COMMISSION

RECUEIL des ordonnances, instructions and decisions de la Haute Commission interalliée des territoires rhénans. 1er août 1923. [Mayence, Imprimerie Walter, 1923.] iv, 640 p. 23½ cm.

"Ce recueil est publié par le Secrétatiat général de la Haute Commission . . . comme instrument de travail. . . . Il y a lieu de se reporter au Bulletin Officiel de la Haute Commission et à ses Procès-verbaux . . . pour y trouver les textes complets et authentiques."—Note, p. ii.

LABOR

INTERNATIONAL LABOUR CONFERENCE. Sixth Session. Geneva, 1924. ix, 1215 p. 31½ cm.

Contents: Vol. I: First Part—List of the members of the Delegations, etc. Second Part—Verbatim Report of the Proceedings; Vol. II: Third Part—Appendices and index.

LEAGUE OF NATIONS

COUNCIL. Minutes of the Thirtieth Session of the Council held at Geneva from Friday, August 29, to Friday, October 3, 1924. 1275–1642 p. 33 cm. (League of Nations Official Journal, V, 10. October, 1924.) $3.00.

Also: Thirtieth Session of the Council. Report by Lord Parmoor. London, 1924. 19 p. 24½ cm. (Parl. Paps., Misc. No. 20 (1924). Cmd. 2287.) 6d.

COUNCIL. Minutes of the Thirty-first (Extraordinary) Session of the Council held at Brussels from Monday, October 27, to Friday, October 31, 1924. 1643–1680 p. 33 cm. (League of Nations, Official Journal, V, 11, pt. 1. November, 1924.) $.30.

THE COVENANT of the League of Nations embodying an Amendment to Article 6, in force from August 13, 1924, and Amendments to Articles 12, 13 and 15, in force from September 26, 1924. London, 1924. 12 p. 23 cm. (Treaty Series No. 37 (1924).) 3d.

INDEX to the Official Journal, 1923. 46 p. 33 cm. (Special Supplement No. 22.) $.40.

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